Issued: 8 November 2023

Marks and Spencer Group Plc
Half Year Results for 26 Weeks Ended 30 September 2023
"RESHAPING M&S" STRATEGY DELIVERS STRONG RESULTS

Strong first half results

- Profit before tax and adjusting items of £360.2m (2022/23: £205.5m)
- Statutory profit before tax of £325.6m (2022/23: £208.5m)
- Food sales up 14.7%; adjusted operating profit £164.9m (2022/23: £71.8m) and margin of 4.3%
- Clothing & Home sales[1] up 5.7%; adjusted operating profit £223.4m (2022/23: £171.4m) and margin of 12.1%
- Ocado Retail share of adjusted loss £23.4m (2022/23: share of loss £0.7m)
- International constant currency sales up 3.9%; adjusted operating profit £43.4m (2022/23: £39.0m)
- Stronger balance sheet: free cash flow reducing net debt and interest costs. Restoration of dividend of 1p per share.

Strategy to reshape M&S is delivering

- Food driving volume and share reflecting value investment, product innovation and quality upgrades
- Clothing & Home building improved style and value perceptions and increasing full price sales mix
- Ocado Retail reset progress; early stages of investment in value, service and increased M&S range
- Structural cost reduction programme on track with savings of over £100m delivered in the first half
- Accelerating store rotation; new full line stores and renewals performing ahead of plan
- Progress on supply chain modernisation; Gist benefits on track; C&H early savings from network plan
- More to do to drive online growth and improve returns on data, digital and technology investment
- Reshaping with a clearer vision, purpose and performance-driven culture to drive execution and pace

Stuart Machin, Chief Executive said:

"Our strategy to reshape M&S for growth has delivered strong results in the first half. We have maintained our relentless focus on trusted value, giving our customers exceptional quality product at the best possible price. In Food, we delivered over 500 quality upgrades and invested over £30m in price, lowering the price of 200 products and locking prices on 150 customer favourites. Our lead on quality perception widened and value perception continued to improve. In Clothing & Home we backed lines with authority across core and seasonal product, maintaining our lead on quality and value perception and improving our style credentials. As a result, we've sold more product and served more customers across Food and Clothing & Home, with both businesses outperforming the market.

Sales growth was supported by our investment in store rotation, which continued at pace. Three full line stores opened and six were renewed, all attracting new customers and performing ahead of plan. Our cost reduction programme is on track with over £100m savings delivered in the half and investment in supply chain modernisation driving efficiencies, translating volume growth to improved margin and profitability.

I am clear that if we serve our customers well, we serve our shareholders well, and our unrelenting focus on trusted value is matched by disciplined capital allocation. We have further strengthened our balance sheet and net debt position, with an interim dividend payment being made to shareholders for the first time in four years.

Looking ahead, trading momentum has been maintained through October, with customers responding positively to our Christmas ranges. There will be challenges and headwinds in the year ahead and progress won't be linear, but we are ambitious for future growth and are driving what is in our control.

Everyone at M&S makes change happen and I want to thank my colleagues for their contribution to these results. I also want to thank them in advance for what they are about to do. All of us will be sleeves rolled up, out in stores and distribution centres, bringing the magic of M&S alive for our customers this Christmas. In summary – we're only just beginning. Lots done, lots to do, lots of opportunity."

Group Results (26 weeks ended)	30 September 23	1 October 22	Change (%/£)
Statutory revenue	£6,134.0m	£5,538.2m	10.8%
Sales[1]	£6,164.4m	£5,563.6m	10.8%
Operating profit	£315.0m	£171.5m	83.7%
Operating profit before adjusting items	£410.4m	£280.7m	46.2%
Profit before tax and adjusting items	£360.2m	£205.5m	75.3%
Adjusting items	£(34.6)m	£3.0m	n/a
Profit before tax	£325.6m	£208.5m	56.2%
Profit after tax	£206.9m	£166.7m	24.1%
Basic earnings per share	10.6p	8.5p	24.7%
Adjusted basic earnings per share	12.7p	7.8p	62.8%
Dividend per share	1.0p	-	-
Free cash flow from operations	£27.7m	£(116.8)m	£144.5m
Net debt	£(2.56)bn	£(2.93)bn	£0.37bn
Net debt excluding lease liabilities	£(0.32)bn	£(0.63)bn	£0.31bn

Non-GAAP measures and alternative profit measures (APMs) are discussed within this release. A glossary and reconciliation to statutory measures is provided at the end. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability. Refer to adjusting items table below for further details. [1] References to 'sales' throughout this announcement are statutory revenue plus the gross value of consignment sales ex. VAT.

STRONG FIRST HALF RESULTS

M&S's first half results showed a good year on year improvement in almost all businesses. Favourable market conditions, surprisingly resilient consumer demand and the effect of competitor exits from the market provided a solid backdrop. In this environment, the strategy to reshape for growth has enabled M&S to increase customer numbers and market share in both businesses, with healthy volume growth and reduced promotions in Food, higher than expected full price sales in Clothing & Home and structural cost reduction supporting robust margins.

Profit before tax and adjusting items for the period was £360.2m (2022/23: £205.5m). Adjusting items of £34.6m (2022/23: £3.0m) included a credit due to the remeasurement of contingent consideration for Ocado Retail. Statutory profit before tax was £325.6m (2022/23: £208.5m).

- Food sales grew 14.7% with LFL sales up 11.7%, outperforming all mainline grocers on volume as customer numbers increased. Growth was underpinned by further investment in trusted value, category resets in basket building areas such as grocery and homecare, and on-going quality upgrades of products in key customer missions including 'Dinner for tonight' and 'Events'. Adjusted operating margin recovered to 4.3% from 2.2% last year, (2021/22: 4.6%). This was driven by growth in volume and market share, manufacturing efficiencies and the benefits of the Gist acquisition completed last year of over £30m.
- Clothing & Home sales grew 5.7% with LFL sales up 5.5%, supported by more confident buying and further improvements in style perceptions, driving sales with notable highlights in areas such as holiday and denim. Customer numbers increased, and sales grew across channels, with stores outperforming online. Adjusted operating margin increased to 12.1% from 9.8% last year (2021/22: 10.2%), supported by a modest increase in full price sales mix to 82%, cost reduction in the logistics network and better currency and freight rates than anticipated. Online sales grew 4.6%, and online adjusted operating profit margin increased to 9.0% from 6.9% as a result of robust full price sales and growth of click and collect, which helped to reduce fulfilment costs.
- International sales increased 3.9% at constant currency, with more modest partner demand following restocking last year. Adjusted operating profit increased 11.3% to £43.4m supported by structural cost reduction savings.
- Ocado Retail sales increased 6.9%. The recovery strategy at Ocado Retail started to have some impact. Active customers increased, supported by the 'Big Price Drop' campaign and an increase in the M&S range available on Ocado.com. The M&S share of Ocado Retail net loss increased to £23.4m from £0.7m driven by the continued effect of costs related to new and excess capacity, plus the one-off accrual release in the prior year result.

OUTLOOK AND GUIDANCE

Trading momentum has been maintained through October and we are planning for a good Christmas, with customers already responding positively to our ranges. However, as we enter 2024, we are not relying on the favourable recent market conditions persisting. The outlook remains uncertain with the probable impact on the consumer of the highest interest rates in 20 years, deflation, geopolitical events, and erratic weather. Notwithstanding this backdrop, we will continue to invest in trusted value for our customers and we are increasing our investment in the reshaping of M&S in the second half. Therefore, against more challenging comparatives, we expect profit before tax and adjusting items to be weighted towards the first half, as we remain laser-focused on our long-term ambition to reshape M&S for future growth.

DIVIDEND

The board remains committed to sustaining a strong balance sheet and investing for growth as well as restoring an investment grade credit rating. However, with M&S generating a further improvement in operating performance, balance sheet and credit metrics, we are restoring a modest dividend to shareholders, starting with an interim dividend of 1p per share. This will be paid on 12 January 2024 to shareholders on the register of members as at close of business on 17 November 2023.

STRATEGY TO RESHAPE M&S IS DELIVERING

Our vision for M&S is to be the UK's most trusted retailer, doing the right thing for our customers, where products are at the heart of everything we do. To deliver this, in October last year, the new Executive team set out nine strategic priorities to reshape M&S for growth and value creation, with 5-year objectives of a 1% increase in market share in both Clothing & Home and Food and adjusted operating margins of over 10% in Clothing & Home and now over 4% in Food. This is supported by capital investment programmes focused on increasing volume in growth channels and on structural reduction of the cost base. During the first half, a clear medium-term capital investment envelope of c.£450m net of disposals was established and hurdle rates on non-store investments were strengthened further. We have made good progress, with lots done, but lots still to do.

EXCEPTIONAL PRODUCT, TRUSTED RETAILER

- Food continued its investment in trusted value, with prices reduced across more than 200 lines including 'Remarksable value' where sales increased 45% and products featured in over 20% of customer baskets. In addition, prices were locked on over 150 customer favourites. Category resets in ambient products delivered strong sales growth with biscuits up 29% and homecare up 27%. Alongside this, M&S Food is upgrading quality on over 1000 products, further widening the gap to competitors' products, with over 560 upgrades in the half. This helped to drive a further improvement in net promoter scores for quality and sustainability. Food market share increased 10bps to 3.4%. (Source: Kantar 12 w/e 1 October 2023)

- Clothing & Home bought into core products and seasonal lines with increased confidence, and further reduced the percent of sales sold at discount. As it moves towards modernising the supply chain, shorter lead time replenishment helped to support growth in sales. Women's denim and casual bottom sales increased 17%, while holiday wear increased 18%. Prices were frozen on school uniforms for the third consecutive year, while improvements to kids' casualwear drove sales growth. M&S Clothing continues to hold leading net promoter scores for quality and value, with style perceptions improving further. It achieved the leading market share position for summer in womenswear for the first time in 4 years, with overall market share for Clothing & Footwear reaching 9.5%. (Source: Kantar 12 w/e 17 September 2023)

CUSTOMER CENTRIC OMNI-CHANNEL BUSINESSES

Clothing & Home's omni-channel objective is to deliver an integrated, personalised experience to customers combining the M&S App and Sparks loyalty membership. This means improving and investing in the online buying experience and integrating fulfilment and delivery with a national store and distribution network to offer a convenient and consistent service, whenever, wherever and however customers choose to shop with us. We believe we are in the early stages of our omni-channel programme, with the following progress made:

- The period saw further reversion to normal shopping patterns after the pandemic, and as a result, store sales outperformed online sales. In the year ahead, we expect to see a return of stronger online growth.
- Active App users has increased 7% to 4.9m since the start of the year. Over 40% of Clothing & Home online sales went through the App compared with 34% last year. There was a further increase in the Sparks membership base driven by engagement initiatives. There is, however, more to do to support conversion through a better App shopping experience and to improve Sparks scan rates and leverage our data to deliver personalised experiences.
- Customer fulfilment metrics improved, with 64% of orders fulfilled through click and collect compared with 59% last year, helping to reduce costs. Working with carrier delivery partners, customer failure rates reduced, supported by supply chain investment and systems changes. The transfer of returns to local hub stores is helping to increase the speed of refund and resale of returned stock.

Ocado Retail is in the early stages of restoring direction and profitability. Our vision for Ocado Retail is to combine the strength of M&S Food with Ocado's unique and proprietary technology to create a compelling offer and advantaged service for online food shopping. Ocado Retail has already generated significant volume growth and buying benefits for M&S Food, but the potential of the venture has yet to be realised:

- Collaboration between M&S and Ocado Retail is increasing. The range of M&S products on Ocado.com has increased to over 80% of the addressable range. In addition, the first joint sourcing tender was completed, and joint customer acquisition tested. Towards the end of the period, there were increases in M&S volume and sales growth rates.
- A programme of service improvements was launched in January since when "on time and in full" orders have increased by 6%. A new robotic customer fulfilment centre opened in Luton, with operations at Hatfield ceasing. The new Luton CFC has the potential to achieve double the productivity of the previous site.

EXPANDED GLOBAL REACH

The International business's objective is to grow retail sales by leveraging the M&S brand through capital light franchise partnerships and a multi-platform online business with global reach. Growth has been slower in the current year with a net 9 stores opening in the first half and modest growth in orders following restocking last year. International is trialling new ways of working with franchise partners, to encourage them to buy more confidently into key seasonal lines and to develop the omni-channel proposition, while also working to reduce overall stock holding.

STRUCTURALLY LOWER COST BASE

The purpose of the cost reduction programme is to underpin operating margins of over 10% in Clothing & Home and over 4% in Food through structurally reducing costs by more than £400m by FY28. Savings of over £100m were delivered in the first half and M&S is on track to deliver over £150m in the current year, although further work is needed to embed permanent reductions in the underlying cost base.

- Retail operational efficiencies delivered through investments in in-store technology and a reduction in store stock handling through the 'One Best Way' programme, have resulted in savings of over £30m.
- Logistics efficiencies across both main businesses helped offset rising warehouse and transport costs, and included the closure of the West Thurrock Clothing & Home DC, generating benefits of c.£30m.
- Organisational simplification across digital, technology and central teams in support centres started to reduce headcount, realising savings of c.£15m against the context of rising central costs.

In addition to the structural cost savings, as noted below, the Gist acquisition has delivered over £30m of benefits in the first half.

HIGH PERFORMANCE CULTURE

Our objective is to raise the bench strength at M&S through a relentless focus on talent and to make M&S an exceptional place to pursue retail and technology careers with a more performance-driven organisation focused on delivering for customers. During the first half, the CEO and Executive team refreshed M&S's vision, purpose and behaviours with the aim of creating a simpler, faster, technically enabled organisation, which is closer to customers and colleagues and is supported by a core set of expectations as to how the business operates day to day.

- The Closer to Colleagues and Closer to Customers programmes have already resulted in over 10,000 ideas entered to the Straight to Stuart programme, and support centre colleagues have spent over 28,000 hours working in stores, bringing them closer to the front line.
- Over 3,000 managers in the UK are taking part in development programmes, which are now being introduced to International locations.

- M&S is raising the bar on talent with over 230 colleagues participating in fast-track learning and future leaders' programmes in the first half, with the aim of reducing the need for external hires. More robust goal setting and appraisal processes have been put in place, to ensure colleagues who deliver to high standards are recognised and underperformance is identified.

ACCELERATING STORE ROTATION

For many years, M&S has been constrained by its historic failure to modernise a legacy store base. As a result, even today, we depend on ageing stores that are costly to operate and maintain and, in some cases, no longer on pitch. Our objective is to accelerate store rotation to create a brand-enhancing, productive estate of c.180 full line stores and c.400 M&S-operated Food stores in growth locations by FY28. Meeting these challenging targets will mean accelerating the pipeline of new development:

- During the first half, the full line estate decreased by two stores, while the M&S-operated Food estate also decreased by two. Rotation included flagship relocations of full line stores at Leeds White Rose and Liverpool One as well as the opening of a new, smaller full line format at Purley Way. These stores are attracting new customers and trading ahead of plan. The Birmingham Bullring relocation opened yesterday and further relocations in Manchester Trafford Centre and Thurrock will open before Christmas.
- An additional six stores were renewed in the period, increasing capacity in areas catering to the larger family shop and improving productivity in Clothing & Home, with stores performing well and exceeding our objectives. During the second half, a further six renewals are planned, and alongside new stores, this will bring the total to 108 stores in the new format.

MODERNISED SUPPLY CHAIN

In both Clothing & Home and Food, M&S has historically suffered from a high cost and under-invested supply chain. In both cases there are substantial opportunities for improvement, and for the first time, strong teams are in place, focused on reshaping both the networks and operating practices:

- In Food, the integration of Gist has gone well, with early cost savings and multiple small improvements arising from operating in a single collaborative team. The annualised contribution from Gist from the elimination of management fees, operational savings and improved service is now running at c.£60m, with benefits of over £30m delivered in the first half. M&S and Gist are now embarking on a multi-year programme to 'fix the backbone' processes and systems including work to define long-term network requirements.
- Clothing & Home is initiating a long-term programme of change to deliver a smoother, more store-friendly flow of goods, less trapped stock, and a faster supply chain. This will mean focusing on fewer, more strategic suppliers, systems upgrades to increase visibility and connectivity, and the creation of an omni-channel logistics network. Changes underway include the planned consolidation of denim supply and investment in online order fulfilment capability at the Stoke and Ollerton warehouses.

DATA, DIGITAL AND TECHNOLOGY

The aim of data, digital and technology investment is to drive growth through creating an engaging customer experience, supported by efficient operations and business infrastructure. The combined costs of investment in data, digital and technology where we have a potential strategic advantage, and modernisation of legacy technology systems, will require careful prioritisation and sequencing. We are therefore re-evaluating our overall data, digital and technology investment envelope to ensure the sequencing of investment generates effective returns on investment.

In the first half, we made continued progress on developing and implementing mission critical systems. New Food forecasting, ordering and stock allocation systems have now been rolled out across c.60% of categories. Alongside this, a partner for the new Clothing & Home planning system was selected in the first half. We also began the programme to upgrade M&S's enterprise resource planning system.

DISCIPLINED CAPITAL ALLOCATION

M&S's ability to invest is driven by its capital allocation framework which is focused on the generation of free cash flow from operations. The first half saw another period of cash generation and net debt reduced further.

Having delivered a transformed balance sheet over the last few years, we are in a much stronger position to sustain growth and reduce funding costs. With improvements to the balance sheet, ratios of debt to EBITDA and cash flow to net debt are expected to remain at levels consistent with an investment grade credit rating. Our approach balances the needs of shareholders and creditors while providing a robust sponsor covenant to our pension trustees.

With M&S generating a further improvement in operating performance, balance sheet and credit metrics, the Board is restoring a modest dividend to shareholders, starting with an interim dividend of 1p per share.

For further information, please contact:

Investor Relations:
Fraser Ramzan: +44 7554 227 758
Sandeep Dasgupta +44 7868 735 381

Media enquiries:
Corporate Press Office: +44 (0)20 8718 1919

Investor & Analyst presentation and Q&A:
A pre-recorded investor and analyst presentation will be available on the Marks and Spencer Group Plc website here from 7:30am on 8 November 2023.

Stuart Machin and Jeremy Townsend will host a Q&A session at 9.30am on 8 November 2023:

For the quickest joining experience, **please register prior to attending the call here.** After registering, you will be given unique dial in details to join the call.

Alternatively, you can use the below details to join the call but please join 5-10 minutes before the start time in order to register your details with the operator.
Dial in: +44 (0) 33 0551 0200
Passcode: Quote Analyst Call when prompted by the operator
Replay: A recording of the 9.30am call will be available here

Important Notice:

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Marks and Spencer's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any forward-looking statements are subject to various risks and uncertainties, including, but not limited to, failure by Marks and Spencer to predict accurately customer preferences; decline in the demand for products offered by Marks and Spencer; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of Marks and Spencer's brand awareness and marketing programmes; general economic conditions including, but not limited to, those related to the Covid-19 pandemic or a downturn in the retail or financial services industries; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. For further information regarding risks to Marks and Spencer's business, please consult the risk management section of the 2023 Annual Report (pages 56-65).

The forward-looking statements contained in this document speak only as of the date of this announcement, and Marks and Spencer does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

HALF YEAR FINANCIAL REVIEW

Financial Summary

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 %
Group statutory revenue	**6,134.0**	**5,538.2**	**10.8**
Group sales	**6,164.4**	**5,563.6**	**10.8**
UK Food	3,803.6	3,317.5	14.7
UK Clothing & Home	1,849.5	1,749.7	5.7
International	511.3	496.4	3.0
Group operating profit before adjusting items	**410.4**	**280.7**	**46.2**
UK Food	164.9	71.8	129.7
UK Clothing & Home	223.4	171.4	30.3
International	43.4	39.0	11.3
Share of result in Ocado Retail Limited	(23.4)	(0.7)	
All other segments	2.1	(0.8)	
Net interest payable on lease liabilities	(54.7)	(55.7)	
Net financial interest	4.5	(19.5)	
Profit before tax & adjusting items	**360.2**	**205.5**	**75.3**
Adjusting items	(34.6)	3.0	
Profit before tax	**325.6**	**208.5**	**56.2**
Profit after tax	**206.9**	**166.7**	**24.1**
Basic earnings per share	10.6p	8.5p	24.7
Adjusted basic earnings per share	12.7p	7.8p	62.8
Dividend per share	1.0p	-	
Net debt	**(2,564)**	**(2,929)**	**(12.5)**
Group capex and disposals	**(190.0)**	**(183.6)**	**3.5**
Free cash flow from operations	**27.7**	**(116.8)**	

Notes:
There are a number of non-GAAP measures and alternative profit measures ("APMs") discussed within this announcement, and a glossary and reconciliation to statutory measures is provided at the end of this report. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. Refer to the adjusting items table below for further details.

Group results

Group sales were £6,164.4m. This was an increase of 10.8% versus 2022/23, driven by Food sales up 14.7%, Clothing & Home sales up 5.7%, and International sales up 3.0%. UK Food sales growth also reflects the impact of third-party sales by Gist Limited of £71.9m following its acquisition, which had a positive effect of c.2.2% in the half. Like-for-like sales were unaffected by the acquisition of Gist.

Statutory revenue in the period was £6,134.0m, an increase of 10.8% versus 2022/23.

The Group generated profit before tax and adjusting items of £360.2m, compared with £205.5m in the prior year.

Adjusting items were a net charge of £34.6m, compared with a credit of £3.0m in the prior year. The net charge in the period primarily consists of costs relating to the UK store estate rotation plans and to the ceasing of operations at Ocado Retail's Hatfield CFC, partially offset by a credit relating to the remeasurement of Ocado Retail contingent consideration to nil.

As a result, the Group generated a statutory profit before tax of £325.6m, compared with £208.5m in the prior year.

Adjusted basic EPS was 12.7p, up 62.8% on 2022/23 reflecting higher adjusted profit in the period. Basic EPS was 10.6p, up 24.7% on 2022/23, reflecting the increased profit in the period.

An interim dividend of 1p per share was declared, payable on 12 January 2024.

For full details on adjusting items and the Group's related policy, read more on notes 3 and 1 to the financial information.

UK: Food

UK Food sales increased 14.7%, with like-for-like sales up 11.7%, underpinned by investment in value and quality, and strong growth in basket-building categories such as Grocery, Homecare and Frozen.

Change vs 22/23 %	Q1	Q2	HY
Food[1]	15.1	14.2	14.7
Food like-for-like sales	12.5	11.0	11.7

[1] UK Food sales growth in Q1 and Q2 reflects the impact of third-party sales by Gist Limited, which had a positive effect of c.2.2%. UK Food sales are equal to statutory revenue.

M&S Food has an online grocery presence with Ocado Retail and these sales are reported through Ocado Retail and are not contained within these numbers.

26 weeks ended	30 Sept 23	1 Oct 22	Change vs 22/23 %
Transactions, m (average/week)	9.41	8.77	7.3
Basket value inc VAT (£)	15.23	14.45	5.4
Total sales ex VAT £m[1]	**3,803.6**	**3,317.5**	**14.7**

[1] Includes M&S.com and third-party sales by Gist Limited.

Transactions increased, driven by growth in new customers, and basket value was up 5.4%, primarily due to increased average selling prices. Larger basket transactions continued to grow with the value of baskets over £30 up 15.8%.

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 %
Sales	3,803.6	3,317.5	14.7
Operating profit before adjusting items	164.9	71.8	129.7
Adjusted operating margin	*4.3%*	*2.2%*	*210bps*

Operating profit before adjusting items was £164.9m compared with £71.8m in 2022/23, with a net adjusted operating margin of 4.3%.

Food adjusted operating margin increased by c.210bps. Gross margin improved c.65bps, largely as a result of manufacturing, operational and packaging efficiencies within cost of goods, while operating costs as a percent to sales improved c.145bps as sales growth of 14.7% exceeded cost growth of 8.4%. Cost growth included colleague pay and energy related inflation of c.£50m, which was more than offset by structural cost reduction and the benefits of the Gist acquisition.

The table below sets out the resulting movement in Food adjusted operating margin by key cost driver:

Operating profit margin before adjusting items	%
2022/23	**2.2**
Gross margin	0.65
Store staffing	0.55
Other store costs	0.15
Distribution and warehousing	0.25
Central Food costs	0.50
2023/24	**4.3**

UK: Clothing & Home

Clothing & Home sales increased 5.7% driven by higher average selling price and increased customer numbers, with stores outperforming online. There was good growth in Womenswear, Menswear and Kidswear.

Change vs 22/23 %	Q1	Q2	HY
Clothing & Home sales	7.4	4.1	5.7
Clothing & Home like-for-like sales	7.2	3.8	5.5
Clothing & Home stores sales	9.4	3.2	6.2
Clothing & Home online sales	3.1	6.0	4.6
Clothing & Home statutory revenue	*7.1*	*4.1*	*5.5*

To enable greater insight into these movements, further detail is provided on the performance of each channel.

Online

26 weeks ended	30 Sept 23	1 Oct 22	Change vs 22/23 %
Traffic (m)[1]	234.8	203.7	15.3
Conversion (%)[2]	6.3	7.0	-70bps
Average order value incl. VAT pre returns (£)[3]	66.12	64.04	3.2
Returns rate (%)[4]	32.4	30.5	190bps
Sales ex VAT £m	**579.4**	**554.1**	**4.6**

[1] Traffic: the number of site visits to M&S.com and the app. Prior year numbers restated due to basis of calculation.
[2] Conversion: the number of orders as a % of the number of site visits.
[3] Prior year numbers restated due to basis of calculation.
[4] Prior year numbers restated due to basis of calculation. Returns rate represents returns on despatch sales.

Online sales remained solid with growth in the half despite the channel mix being more in favour of stores. Traffic increased over 15% as brand marketing drew in more visitors to the site but conversion declined 70bps as new customers browsed with more consideration before making a purchase. Average order value grew 3.2% reflecting a higher average selling price, including a higher mix of third-party brand sales.

The online returns rate increased year on year. This was due to an increasing number of multi size baskets and the growth of third-party brands which have a higher returns rate.

Stores

26 weeks ended	30 Sept 23	1 Oct 22	Change vs 22/23 %
Transactions, m (average/week)	1.68	1.71	-1.8
Average basket value inc VAT pre returns (£)	40.06	37.69	6.3
Sales ex VAT £m	**1,270.1**	**1,195.6**	**6.2**

UK Clothing & Home store sales increased 6.2%, with strength in retail parks, city centre and shopping centre locations, supported by higher average selling price and strong full price sales.

Total Clothing & Home

Operating profit before adjusting items was £223.4m compared with £171.4m in 2022/23, an increase of 30.3%.

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 %
Statutory revenue	1,819.1	1,724.3	5.5
Sales	1,849.5	1,749.7	5.7
Operating profit before adjusting items	**223.4**	**171.4**	**30.3**
Adjusted operating margin	*12.1%*	*9.8%*	*230bps*

Clothing & Home adjusted operating margin increased by c.230bps. Gross margin increased c.90bps driven by lower than anticipated freight and currency related costs, as well as average selling price increases in the prior year. Operating costs as a percent to sales improved c.140bps as sales growth of 5.7% exceeded cost growth of 2.5%. Cost growth included colleague pay and energy related inflation of c.£28m, which was more than offset by structural cost reduction such as technology improvements in store and logistics network changes.

The table below sets out the drivers of the movement in Clothing & Home operating profit before adjusting items for the total segment.

Operating profit margin before adjusting items	Total %
2022/23	**9.8**
Gross margin	0.9
Store staffing	0.2
Other store costs	1.0
Distribution and warehousing	1.0
Central Clothing & Home costs	(0.8)
2023/24	**12.1**

As outlined above, the overall Clothing & Home adjusted operating margin increased by c.230bps. Within channels, stores margin increased c.240bps to 13.5% and online margin increased c.210bps to 9.0%.

International

Total International sales increased 3.0% (3.9% at constant currency). Store sales grew 3.4% driven by the opening of net 9 new stores and higher reduced-price sales in India, as well as Food sales growth in the Channel Islands. Online sales were up 0.9%, with growth in India offset by higher returns and more challenging conditions in other markets.

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 %	Change vs 22/23 CC %
Total sales	511.3	496.4	3.0	3.9
Memo: Sales excl. Republic of Ireland	*363.2*	*352.0*	*3.2*	*5.0*
Operating profit before adjusting items	43.4	39.0	11.3	15.3
Adjusted operating margin	*8.5%*	*7.9%*	*60bps*	*80bps*
Memo: Operating profit before adjusting items excl. Republic of Ireland	*32.4*	*31.7*	*2.2*	*6.6*

Total International operating profit before adjusting items was up 11.3% to £43.4m, with adjusted operating margin up 60bps to 8.5%. This was largely driven by operating cost savings within International logistics and improved efficiency from shifting European volume from the UK to the new distribution hub in Croatia.

Ocado Retail Limited

The Group holds a 50% interest in Ocado Retail Limited ("Ocado Retail"). The remaining 50% interest is held by Ocado Group Plc ("Ocado Group"). Half Year Results are consistent with the quarterly results reported by Ocado Group on behalf of Ocado Retail for the quarterly periods ended 28 May 2023 and 27 August 2023.

	Q1	Q2	HY
Revenue growth (%)	6.7	7.2	6.9
Active customer growth (period end) (%)[1]	10.6	1.5	1.5
Average order per week growth (%)	3.8	1.9	2.1

Notes: Retail revenue comprises revenues from Ocado.com and Ocado Zoom. Average orders per week refers to results of Ocado.com

[1] HY active customer growth reflects the exit rate of the period.

Revenue increased 6.9% over the 26 weeks to 27 August 2023. This was primarily driven by an increase in average selling price, growth in active customers and higher average orders per week.

26 weeks ended	27 Aug 23 £m	28 Aug 22 £m	Change £m
Revenue	1,164.4	1,089.0	75.4
EBITDA before exceptional items	5.3	9.8	(4.5)
Exceptional items[1]	(33.4)	31.2	(64.6)
Depreciation and amortisation	(31.2)	(28.5)	(2.7)
Operating (loss)/profit	**(59.3)**	**12.5**	**(71.8)**
Net interest charge	(13.5)	(14.3)	0.8
Taxation	(7.8)	0.5	(8.3)
Loss after tax	**(80.6)**	**(1.3)**	**(79.3)**
M&S 50% share of loss after tax	**(40.3)**	**(0.7)**	**(39.6)**
Reported in M&S Group adjusted profit before tax	(23.4)	(0.7)	(22.7)
Reported in M&S Group adjusting items	(16.9)	-	(16.9)

[1] *Exceptional items are defined within the* Ocado Group Plc Annual Report and Accounts 2022.

Ocado Retail EBITDA before exceptional items was down, reflecting a one-off accrual release in the prior year.

M&S Group share of Ocado Retail underlying loss after tax was £23.4m, driven by lower EBITDA before exceptional items, increased depreciation and amortisation, and increased taxation.

M&S Group share of Ocado Retail exceptional items was £16.9m, relating to the ceasing of operations at the Hatfield CFC.

The increased tax charge was the release of a deferred tax provision in the period.

Combining both underlying performance and exceptional items, M&S Group share of Ocado Retail loss after tax was £40.3m.

M&S Bank and Services

M&S Bank and Services generated a profit before adjusting items of £2.4m, compared with a loss of £0.8m in 2022/23. During the period, M&S Bank benefited from lower forward provisions for economic guidance year on year, although this was more than offset by increased funding and other operating expenses.

Net finance cost

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 £m
Interest payable	(24.7)	(37.9)	13.2
Interest income	22.7	8.5	14.2
Net interest payable	**(2.0)**	**(29.4)**	**27.4**
Pension net finance income	12.1	14.2	(2.1)
Unwind of discount on Scottish Limited Partnership liability	(2.3)	(2.4)	0.1
Unwind of discount on provisions	(3.3)	(1.9)	(1.4)
Net financial interest	**4.5**	**(19.5)**	**24.0**
Net interest payable on lease liabilities	**(54.7)**	**(55.7)**	**1.0**
Net finance costs before adjusting items	**(50.2)**	**(75.2)**	**25.0**
Adjusting items included in net finance costs	60.8	112.2	(51.4)
Net finance costs	**10.6**	**37.0**	**(26.4)**

Net finance costs before adjusting items decreased £25.0m to £50.2m. This was driven by higher average interest rates on cash balances and reduced interest expense as a result of the buy-back of medium-term note maturities.

Adjusting items within net finance costs reflect a credit of £64.7m relating to the remeasurement of Ocado Retail contingent consideration to nil and a charge of £3.9m reflecting the discount unwind on deferred and contingent consideration on the acquisition of Gist Limited.

Group profit before tax and adjusting items

Group profit before tax and adjusting items was £360.2m, up 75.3% on 2022/23. The profit increase was primarily due to strong growth in Food and Clothing & Home and reduced interest expense, partly offset by an increased net loss in Ocado Retail.

Group profit before tax

Group profit before tax was £325.6m, up 56.2% on 2022/23. This includes a net charge for adjusting items of £34.6m (2022/23: credit of £3.0m).

Adjusting items

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures (APMs) that provide stakeholders with additional helpful information and aid comparability of the performance of the business. For further detail on these (charges)/gains and the Group's policy for adjusting items, please see notes 3 and 1 to the financial information. These (charges)/gains are reported as adjusting items on the basis that they are significant in quantum in current or future years and aid comparability from one period to the next.

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 £m
Included in share of result of associate – Ocado Retail Limited			
Ocado Retail Limited – UK network capacity review	(16.9)	-	(16.9)
	(16.9)	-	**(16.9)**
Included in operating profit			
Strategic programmes – UK store estate	(67.1)	(26.3)	(40.8)
Strategic programmes – Organisation	(3.5)	(14.6)	11.1
Store impairments, impairment reversals and other property charges	-	(36.3)	36.3
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	(6.5)	(7.0)	0.5
M&S Bank charges incurred in relation to the insurance mis-selling provisions	(1.0)	(1.0)	-
Acquisition of Gist Limited	(0.4)	(24.4)	24.0
Franchise restructure	-	0.4	(0.4)
	(78.5)	**(109.2)**	**30.7**
Included in net finance income/(costs)			
Remeasurement of Ocado Retail Limited contingent consideration	64.7	112.2	(47.5)
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration	(3.9)	-	(3.9)
	60.8	**112.2**	**(51.4)**
Adjustments to profit before tax	**(34.6)**	**3.0**	**(37.6)**

Adjusting items recognised were a net charge of £34.6m. These include:

A charge of £16.9m included within the share of result in associate. This reflects the group share of costs relating to the ceasing of operations at Ocado Retail's Hatfield CFC after a wider review of UK network capacity.

A charge of £67.1m in relation to UK store estate rotation plans. This reflects a revised view of latest store exit routes, assumptions, estimated closure costs, charges relating to the impairment of buildings, fixtures and fittings, and accelerated depreciation.

A non-cash charge of £3.5m within organisation relating to an increase in the IFRS 9 impairment held in relation to the finance lease receivable for the sublet of previously closed Merchant Square offices.

A non-cash charge of £6.5m with respect to the amortisation of intangible assets acquired on the purchase of our share in Ocado Retail.

Charges of £1.0m have been incurred in relation to M&S Bank insurance mis-selling provisions.

Taxation

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings, adjusted for actual tax on adjusting items.

The taxation charge in the income statement for the half year is based on the forecast full year tax rate on profit before adjusting items of 31.2% (last half year 24.8%; last full year 25.9%). This is higher than the UK statutory rate primarily due to the impact of the recapture of tax relief on SLP distributions and non-taxable Ocado Retail losses.

The effective tax rate on profit before taxation is 36.5% (last half year: 20.0%; last full year: 23.4%).

Earnings per share

Basic earnings per share was 10.6p (2022/23: 8.5p). Adjusted basic earnings per share was 12.7p (2022/23: 7.8p) due to higher adjusted profit year on year.

The weighted average number of ordinary shares in issue during the period was 1,967.0m (2022/23: 1,962.4m), with the weighted average number of diluted ordinary shares 2,080.6m (2022/23: 2,006.6m).

Cash flow

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 £m
Operating profit	**315.0**	**171.5**	**143.5**
Adjusting items within operating profit	95.4	109.2	(13.8)
Operating profit before adjusting items	**410.4**	**280.7**	**129.7**
Depreciation and amortisation before adjusting items	258.5	250.6	7.9
Cash lease payments	(155.5)	(171.8)	16.3
Surrender payments	(8.9)	(2.2)	(6.7)
Working capital	(135.2)	(148.8)	13.6
Non-cash pension expense	2.6	-	2.6
Defined benefit scheme pension funding	(0.5)	(36.9)	36.4
Capex and disposals	(190.0)	(183.6)	(6.4)
Financial interest	(37.5)	(59.2)	21.7
Taxation	(73.8)	(26.2)	(47.6)
Employee-related share transactions	9.5	15.0	(5.5)
Share of loss from associate	23.4	0.7	22.7
Share of results in other joint ventures	(0.2)	-	(0.2)
Adjusting items in cash flow	(28.1)	(35.1)	7.0
Loans to Associates	(47.0)	-	(47.0)
Free cash flow from operations	**27.7**	**(116.8)**	**144.5**
Acquisitions, investments, and divestments	(2.1)	(98.7)	96.6
Free cash flow	**25.6**	**(215.5)**	**241.1**
Dividends paid	-	-	-
Free cash flow after shareholder returns	**25.6**	**(215.5)**	**241.1**
Opening net debt excluding lease liabilities	**(355.6)**	**(420.1)**	**64.5**
Free cash flow after shareholder returns	25.6	(215.5)	241.1
Exchange and other non-cash movements excluding leases	10.1	7.2	2.9
Closing net debt excluding lease liabilities	**(319.9)**	**(628.4)**	**308.5**
Opening net debt	**(2,637.2)**	**(2,698.8)**	**61.6**
Free cash flow after shareholder returns	25.6	(215.5)	241.1
Decrease in lease obligations	115.3	109.9	5.4
New lease commitments and remeasurements	(67.3)	(141.6)	74.3
Exchange and other non-cash movements	(0.4)	17.3	(17.7)
Closing net debt	**(2,564.0)**	**(2,928.7)**	**364.7**

The business generated free cash flow from operations of £27.7m, a year on year improvement of £144.5m. This was driven by higher operating profit as a result of strong performance across Food and Clothing & Home, as well as lower pension funding and interest payments.

Decreased defined benefit scheme pension funding of £36.4m reflects the deferral of the SLP 'Series C' payment into the pension scheme.

Increased taxation was principally due to the increased profit in the prior year.

Adjusting items in cash flow was £28.1m. This included £13.6m relating to the UK store estate strategy, £5.8m related to structural simplification, £4.1m for interest payments on the Gist contingent consideration and £1.0m relating to the M&S Bank insurance mis-selling provisions.

Loans to Associates principally reflects a £45.0m drawdown of the shareholder loan facility by Ocado Retail.

The business generated free cash flow of £25.6m, resulting in a further reduction of net debt.

Capital expenditure

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 £m
UK store remodelling	13.4	26.0	(12.6)
New UK stores	54.0	20.8	33.2
International	6.4	5.5	0.9
Supply chain	24.1	16.0	8.1
IT and M&S.com	33.1	40.1	(7.0)
Property asset replacement	48.8	42.3	6.5
Capital expenditure before property acquisitions and disposals	**179.8**	**150.7**	**29.1**
Property acquisitions and disposals	(0.3)	-	(0.3)
Capital expenditure	**179.5**	**150.7**	**28.8**
Movement in capital accruals and other items	10.5	32.9	(22.4)
Capex and disposals as per cash flow	**190.0**	**183.6**	**6.4**

Group capital expenditure before property acquisitions and disposals increased £29.1m to £179.8m due to increased investment in new UK stores and supply chain, partially offset by reduced spend on store remodelling and technology.

UK store remodelling costs reflected 5 Food renewals in the half and upgrades to Clothing & Home space in full line stores.

Spend on new UK stores primarily related to the opening of 3 full line, 2 Food stores and one Food renewal (incl. extension) in the period.

Supply chain expenditure reflects investment in upgrading vehicles, as well as replacement of logistics equipment.

IT and M&S.com spend includes technology replacement and upgrades in stores, and continued investment in website and app development.

Property asset replacement largely relates to reinvestment in and replacement of core assets across the store estate, including building repairs, refrigeration, lifts and escalators, as well as spend on energy efficiency initiatives and maintenance.

The movement in capital accruals and other items is driven by the timing of new store and construction invoices versus the prior year.

Net debt

Group net debt decreased £73.2m since the start of the year driven by free cash flow from operations of £27.7m and a net decrease in lease liabilities.

New lease commitments and remeasurements in the period were £67.3m, largely relating to 7 UK lease additions, lease additions in India, and UK property liability remeasurements. This was offset by £115.3m of capital lease repayments.

The composition of Group net debt is as follows:

26 weeks ended	30 Sept 23 £m	1 Oct 22 £m	Change vs 22/23 £m
Cash and cash equivalents	828.7	772.7	56.0
Medium Term Notes	(1,047.9)	(1,396.0)	348.1
Current financial assets and other	21.2	110.9	(89.7)
Partnership liability	(121.9)	(116.0)	(5.9)
Net debt excluding lease liabilities	**(319.9)**	**(628.4)**	**308.5**
Lease liabilities	(2,244.1)	(2,300.3)	56.2
- Full line stores	(877.2)	(902.1)	24.9
- Simply Food stores	(685.3)	(699.8)	14.5
- Offices, warehouses and other	(475.2)	(484.5)	9.3
- International	(206.4)	(213.9)	7.5
Group net debt	**(2,564.0)**	**(2,928.7)**	**364.7**

The Medium Term Notes include five bonds, with maturities out to 2037, and the associated accrued interest. During the period, part of the 2023, 2025 and 2026 bonds were repurchased, reducing near-term liquidity draws. The USD 300m 2037 bond is valued by reference to the embedded exchange rate in the associated cross currency swaps. The full breakdown of maturities is as follows:

Bond and maturity date	Value (£m)
Dec 2023, GBP	128.1
Jun 2025, GBP	206.3
May 2026, GBP	200.7
Jul 2027, GBP	248.8
Dec 2037, USD	251.8
Total principal value	**1,035.7**
Other	12.2
Total carrying value	**1,047.9**

Full line store lease liabilities include £177.3m relating to stores identified as part of the UK store estate strategic programme. Of the remaining full line stores lease liability, the liability-weighted average lease length to break is c.19 years. However, these average lease lengths are skewed by three particularly long leases we hold, with the longest of these having 133 years remaining. These three leases are not deemed probable for closure in our UK store estate strategic programme as they are currently trading well at locations we wish to remain in. Excluding these three leases, the average term to break of leases outside the programme is c.15 years.

Simply Food store lease liabilities include £25.8m relating to stores identified as part of the UK store estate strategic programme. Of the remaining lease liability, the average lease length to break is c.9 years.

Within offices, warehouses and other lease liabilities, £142.0m relates to the sublet lease on the Merchant Square offices. Average lease length of all other offices and warehouses to break is c.9 years.

International leases relate primarily to India (c.£107m) and Ireland (c.£59m). Average lease length to break in India is close to nil, as the majority of these leases are past the break point, and so we have the flexibility to exit these at any time on several months' notice. Average length to lease break or expiry in Ireland is c.8 years.

Pension

At 30 September 2023, the IAS 19 net retirement benefit surplus was £179.7m (FY 2022/23: £477.4m). There has been a decrease of £297.7m since the start of the year largely driven by an increase in gilt yields.

The pension scheme is fully hedged for movements in gilt yields. However, on an IAS 19 basis, there is an inherent basis risk to the scheme valuation, with the pension assets moving with underlying movements in rates and scheme liabilities exposed to the movement in corporate bond yields. In a normal period, this always results in some dislocation between movements in the scheme assets and liabilities. However, the increase in gilt yields in the year led to a larger dislocation. Nevertheless, there has been no material worsening of the scheme's overall funding position and the scheme remains fully funded on a technical provisions basis.

The most recent actuarial valuation of the Marks & Spencer UK Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (statutory surplus of £652m), primarily due to lower assumed life expectancy. The Company and Trustees have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements).

Marks and Spencer Scottish Limited Partnership

Marks and Spencer Plc is a general partner of the Marks and Spencer Scottish Limited Partnership, with the UK defined benefit pension scheme, which is a limited partner.

The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer Plc. The first limited Partnership interest held by the scheme entitles it to receive £73.0m in 2023 and £54.4m in 2024 and is included as a financial liability in the financial statements as it is a transferable financial instrument. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme is entitled to receive £40.0m in October 2023, £34.9m in March 2024 and £54.4m in June 2024.

The second Partnership interest held by the scheme entitles it to receive a further £36.4m annually from June 2017 until June 2031. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme is entitled to £37.8m in March 2024 and then an annual distribution of £36.4m from June 2024 to June 2031. It is not a transferable financial instrument, so the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

Liquidity

At 30 September 2023, the Group held cash and cash equivalents of £828.7m (2022/23: £772.7m). In the period, as part of its approach to liability management, the Group bought back £276.8m of its medium-term maturities and does not expect to refinance its December 2023 maturity of £128.1m.

The Group currently has an unused £850m revolving credit facility which is due to expire in June 2026 on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group has total liquidity headroom of £1.7bn.

Dividend

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, the Board is restoring a modest dividend to shareholders, starting with an interim dividend of 1p per share, payable on 12 January 2024.

Statement of financial position

Net assets were £2,847.5m at the period end. The profit made in the period and the reduction in borrowings due to the buy-back of medium-term maturities was largely offset by a decrease in the net retirement benefit surplus, resulting in an overall increase in net assets of 1.2% since the start of the year.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance are set out on pages 56 – 65 of the Group’s 2023 Annual Report and Financial Statements, along with mitigating activities relevant to each risk. Additionally, information on financial risk management is set out on pages 184 – 194. A copy of the Annual Report and Financial Statements is available on the Group's website: www.marksandspencer.com.

The Board of Directors have considered the principal risks and uncertainties disclosed in the 2023 Annual Report and Financial Statements and confirm that they remain relevant for the remainder of the financial year. The principal risks covered are:

- An uncertain trading environment;
- Business transformation;
- JV investments;
- Business continuity and resilience;
- Product safety and integrity;
- Talent, capability and culture;
- Information security;
- Corporate compliance and responsibility;
- Climate change and environmental responsibility;
- Liquidity, funding and financial markets; and
- EU border challenges.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with UK-adopted IAS 34 and that the interim management report includes a fair review of the information required by DTR 4.2.4R, DTR 4.2.7R and DTR 4.2.8R, namely:

- the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the issuer, or undertakings included in the consolidation;
- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

There have been no changes to the directors of Marks and Spencer Group plc to those listed in the Group's 2023 Annual Report and Financial Statements. A list of current directors is maintained on the Group’s website: www.marksandspencer.com.

By order of the Board

Stuart Machin
Chief Executive

Condensed consolidated income statement

		26 weeks ended		52 weeks ended
		30 Sep 2023 (Unaudited)	1 Oct 2022 (Unaudited)	1 April 2023 (Audited)
	Notes	Total £m	Total £m	Total £m
Revenue	2	**6,134.0**	5,538.2	11,931.3
Share of result of associate - Ocado Retail Limited	2, 3, 8	**(46.8)**	(7.7)	(43.5)
Operating profit	2, 3	**315.0**	171.5	515.1
Finance income	4	**102.3**	137.7	166.1
Finance costs	4	**(91.7)**	(100.7)	(205.5)
Profit before tax	2, 3	**325.6**	208.5	475.7
Income tax expense	5	**(118.7)**	(41.8)	(111.2)
Profit for the period		**206.9**	166.7	364.5
Attributable to:				
Owners of the parent		**208.0**	166.1	363.4
Non-controlling interests		**(1.1)**	0.6	1.1
		206.9	166.7	364.5
Earnings per share				
Basic	6	**10.6p**	8.5p	18.5p
Diluted	6	**10.0p**	8.3p	17.9p

Reconciliation of adjusted profit before tax:				
Profit before tax		**325.6**	208.5	475.7
Adjusting items	3	**34.6**	(3.0)	6.3
Profit before tax & adjusting items – non-GAAP measure		**360.2**	205.5	482.0
Adjusted earnings per share – non-GAAP measure				
Basic	6	**12.7p**	7.8p	18.1p
Diluted	6	**12.0p**	7.7p	17.5p

Condensed consolidated statement of comprehensive income

	Notes	26 weeks ended 30 Sep 2023 (Unaudited) £m	26 weeks ended 1 Oct 2022 (Unaudited) £m	52 weeks ended 1 April 2023 (Audited) £m
Profit for the period		**206.9**	**166.7**	**364.5**
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit schemes	9	(307.5)	(247.7)	(622.8)
Tax credit on retirement benefit schemes		76.9	62.0	158.0
		(230.6)	(185.7)	(464.8)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences				
- movement recognised in other comprehensive income		(4.4)	22.2	4.3
Cash flow hedges				
- fair value movements in other comprehensive income		26.3	271.4	77.0
- reclassified and reported in profit or loss		(3.1)	(42.9)	(14.4)
Tax charge on cash flow hedges		(5.4)	(51.0)	(18.6)
		13.4	199.7	48.3
Other comprehensive income/(expense) for the period, net of tax		(217.2)	14.0	(416.5)
Total comprehensive income for the period		**(10.3)**	**180.7**	**(52.0)**
Attributable to:				
Owners of the parent		(9.2)	180.1	(53.1)
Non-controlling interests		(1.1)	0.6	1.1
		(10.3)	**180.7**	**(52.0)**

Condensed consolidated statement of financial position

	Notes	As at 30 Sep 2023 (Unaudited) £m	As at 1 Oct 2022 (Unaudited) £m	As at 1 April 2023 (Audited) £m
Assets				
Non-current assets				
Intangible assets		179.5	201.4	163.1
Property, plant and equipment		5,119.4	5,056.5	5,203.7
Investment property		11.8	14.9	11.8
Investment in joint ventures and associates	8	721.3	804.0	767.9
Other financial assets	11	12.5	7.0	7.9
Retirement benefit asset	9	184.2	845.0	482.0
Trade and other receivables		348.7	255.2	298.7
Derivative financial instruments	11	6.1	112.6	0.1
Deferred tax assets		7.6	9.9	7.6
		6,591.1	7,306.5	6,942.8
Current assets				
Inventories		999.7	1,017.6	764.4
Other financial assets	11	9.0	10.5	13.0
Trade and other receivables		313.0	295.5	280.6
Derivative financial instruments	11	25.3	199.8	22.6
Current tax assets		6.5	0.8	6.5
Cash and cash equivalents		828.7	772.7	1,067.9
		2,182.2	2,296.9	2,155.0
Total assets		8,773.3	9,603.4	9,097.8
Liabilities				
Current liabilities				
Trade and other payables		2,141.9	2,230.9	2,048.8
Partnership liability to the Marks & Spencer UK Pension Scheme	10	127.1	73.0	73.0
Borrowings and other financial liabilities		335.4	197.2	444.0
Derivative financial instruments	11	20.8	20.3	58.1
Provisions		38.1	37.1	44.0
Current tax liabilities		57.3	38.5	38.5
		2,720.6	2,597.0	2,706.4
Non-current liabilities				
Retirement benefit deficit	9	4.5	5.0	4.6
Trade and other payables		116.5	175.3	181.3
Partnership liability to the Marks & Spencer UK Pension Scheme	10	-	49.9	51.8
Borrowings and other financial liabilities		2,956.5	3,499.1	3,184.0
Derivative financial instruments	11	5.6	0.7	7.1
Provisions		83.9	77.8	75.4
Deferred tax liabilities		38.2	185.3	72.3
		3,205.2	3,993.1	3,576.5
Total liabilities		5,925.8	6,590.1	6,282.9
Net assets		2,847.5	3,013.3	2,814.9
Equity				
Issued share capital		20.0	19.8	19.8
Share premium account		911.6	910.7	910.7
Capital redemption reserve		2,680.4	2,680.4	2,680.4
Hedging reserve		19.4	92.7	(31.9)
Cost of hedging reserve		4.1	5.5	4.2
Other reserve		(6,542.2)	(6,542.2)	(6,542.2)
Foreign exchange reserve		(74.0)	(51.7)	(69.6)
Retained earnings		5,824.9	5,893.3	5,839.1
Equity attributable to owners of the parent		2,844.2	3,008.5	2,810.5
Non-controlling interests		3.3	4.8	4.4
Total equity		2,847.5	3,013.3	2,814.9

The notes on pages 29 to 50 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

26 weeks ended 30 September 2023 (Unaudited)	Ordinary share capital	Share premium account	Capital redemption reserve	Hedging reserve	Cost of hedging reserve	Other reserve[1]	Foreign exchange reserve	Retained earnings[2]	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 2 April 2023	19.8	910.7	2,680.4	(31.9)	4.2	(6,542.2)	(69.6)	5,839.1	2,810.5	4.4	2,814.9
Profit for the period	-	-	-	-	-	-	-	208.0	208.0	(1.1)	206.9
Other comprehensive income/(expense):											
Foreign currency translation											
- movement recognised in other comprehensive income	-	-	-	-	-	-	(4.4)	-	(4.4)	-	(4.4)
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	(307.5)	(307.5)	-	(307.5)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	-	76.9	76.9	-	76.9
Cash flow hedges											
- fair value movements in other comprehensive income	-	-	-	26.5	(0.2)	-	-	-	26.3	-	26.3
- reclassified and reported in profit or loss	-	-	-	(3.1)	-	-	-	-	(3.1)	-	(3.1)
Tax on cash flow hedges	-	-	-	(5.5)	0.1	-	-	-	(5.4)	-	(5.4)
Other comprehensive income/(expense)	-	-	-	17.9	(0.1)	-	(4.4)	(230.6)	(217.2)	-	(217.2)
Total comprehensive income/(expense)	-	-	-	17.9	(0.1)	-	(4.4)	(22.6)	(9.2)	(1.1)	(10.3)
Cash flow hedges recognised in inventories	-	-	-	44.6	-	-	-	-	44.6	-	44.6
Tax on cash flow hedges recognised in inventories	-	-	-	(11.2)	-	-	-	-	(11.2)	-	(11.2)
Transactions with owners:											
Shares issued in respect of employee share options	0.2	0.9	-	-	-	-	-	-	1.1	-	1.1
Purchase of shares held by employee trusts	-	-	-	-	-	-	-	(16.7)	(16.7)	-	(16.7)
Credit for share-based payments	-	-	-	-	-	-	-	25.1	25.1	-	25.1
As at 30 September 2023	20.0	911.6	2,680.4	19.4	4.1	(6,542.2)	(74.0)	5,824.9	2,844.2	3.3	2,847.5

26 weeks ended 1 October 2022 (Unaudited)	Ordinary share capital	Share premium account	Capital redemption reserve	Hedging reserve	Cost of hedging reserve	Other reserve[1]	Foreign exchange reserve	Retained earnings[2]	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 3 April 2022	19.7	910.6	2,680.4	17.6	3.6	(6,542.2)	(73.9)	5,897.9	2,913.7	4.2	2,917.9
Profit for the period	-	-	-	-	-	-	-	166.1	166.1	0.6	166.7
Other comprehensive (expense)/income:											
Foreign currency translation											
- movement recognised in other comprehensive income	-	-	-	-	-	-	22.2	-	22.2	-	22.2
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	(247.7)	(247.7)	-	(247.7)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	-	62.0	62.0	-	62.0
Cash flow hedges											
- fair value movements in other comprehensive income	-	-	-	268.8	2.6	-	-	-	271.4	-	271.4
- reclassified and reported in profit or loss	-	-	-	(42.9)	-	-	-	-	(42.9)	-	(42.9)
Tax on cash flow hedges	-	-	-	(50.3)	(0.7)	-	-	-	(51.0)	-	(51.0)
Other comprehensive income/(expense)	-	-	-	175.6	1.9	-	22.2	(185.7)	14.0	-	14.0
Total comprehensive income/(expense)	-	-	-	175.6	1.9	-	22.2	(19.6)	180.1	0.6	180.7
Cash flow hedges recognised in inventories	-	-	-	(124.1)	-	-	-	-	(124.1)	-	(124.1)
Tax on cash flow hedges recognised in inventories	-	-	-	23.6	-	-	-	-	23.6	-	23.6
Transactions with owners:											
Shares issued on exercise of employee share options	0.1	0.1	-	-	-	-	-	-	0.2	-	0.2
Credit for share-based payments	-	-	-	-	-	-	-	15.0	15.0	-	15.0
As at 1 October 2022	19.8	910.7	2,680.4	92.7	5.5	(6,542.2)	(51.7)	5,893.3	3,008.5	4.8	3,013.3

52 weeks ended 1 April 2023 (Audited)	Ordinary share capital	Share premium account	Capital redemption reserve	Hedging reserve	Cost of hedging reserve	Other reserve[1]	Foreign exchange reserve	Retained earnings[2]	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 3 April 2022	19.7	910.6	2,680.4	17.6	3.6	(6,542.2)	(73.9)	5,897.9	2,913.7	4.2	2,917.9
Profit for the year	-	-	-	-	-	-	-	363.4	363.4	1.1	364.5
Other comprehensive income/(expense):											
Foreign currency translation											
- movement recognised in other comprehensive income	-	-	-	-	-	-	4.3	-	4.3	-	4.3
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	(622.8)	(622.8)	-	(622.8)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	-	158.0	158.0	-	158.0
Cash flow hedges											
- fair value movements in other comprehensive income	-	-	-	76.2	0.8	-	-	-	77.0	-	77.0
- reclassified and reported in profit or loss	-	-	-	(14.4)	-	-	-	-	(14.4)	-	(14.4)
Tax on cash flow hedges	-	-	-	(18.4)	(0.2)	-	-	-	(18.6)	-	(18.6)
Other comprehensive income/(expense)	-	-	-	43.4	0.6	-	4.3	(464.8)	(416.5)	-	(416.5)
Total comprehensive income/(expense)	-	-	-	43.4	0.6	-	4.3	(101.4)	(53.1)	1.1	(52.0)
Cash flow hedges recognised in inventories	-	-	-	(123.9)	-	-	-	-	(123.9)	-	(123.9)
Tax on cash flow hedges recognised in inventories	-	-	-	31.0	-	-	-	-	31.0	-	31.0
Transactions with owners:											
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Shares issued in respect of employee share options	0.1	0.1	-	-	-	-	-	(0.1)	0.1	-	0.1
Purchase of shares held by employee trusts	-	-	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Credit for share-based payments	-	-	-	-	-	-	-	38.0	38.0	-	38.0
Deferred tax on share schemes	-	-	-	-	-	-	-	4.8	4.8	-	4.8
As at 1 April 2023	19.8	910.7	2,680.4	(31.9)	4.2	(6,542.2)	(69.6)	5,839.1	2,810.5	4.4	2,814.9

[1] The 'Other reserve' was originally created as part of the capital restructuring that took place in 2002. It represents the difference between the nominal value of the shares issued prior to the capital reduction by the Company (being the carrying value of the investment in Marks and Spencer plc) and the share capital, share premium and capital redemption reserve of Marks and Spencer plc at the date of the transaction.

[2] Included within "Retained earnings" is the fair value through other comprehensive income reserve.

Condensed consolidated statement of cash flows

	Notes	26 weeks ended 30 Sep 2023 (Unaudited) £m	26 weeks ended 1 Oct 2022 (Unaudited) £m	52 weeks ended 1 April 2023 (Audited) £m
Cash flows from operating activities				
Cash generated from operations	13	556.0	326.2	1,100.5
Income tax paid		(73.8)	(26.2)	(70.6)
Net cash inflow from operating activities		**482.2**	**300.0**	**1,029.9**
Cash flows from investing activities				
Proceeds on property disposals		0.3	-	1.1
Purchase of property, plant and equipment		(161.4)	(143.6)	(325.8)
Purchase of intangible assets		(28.9)	(40.0)	(84.5)
Sale of current financial assets		3.2	7.8	5.3
Purchase of non-current financial assets		(2.1)	(3.5)	(4.2)
Proceeds on disposal of non-current financial assets		-	0.2	0.2
Acquisition of subsidiary, net of cash acquired[1]		-	(95.4)	(102.8)
Loans to related parties		(47.0)	-	(30.0)
Interest received		21.8	6.8	24.1
Net cash used in investing activities		**(214.1)**	**(267.7)**	**(516.6)**
Cash flows from financing activities				
Interest paid[2]		(108.3)	(130.1)	(212.5)
Redemption of Medium Term Notes		(267.5)	(150.6)	(189.9)
Repayment of lease liabilities		(115.3)	(109.9)	(231.8)
Payment of liability to the Marks & Spencer UK Pension Scheme		-	(71.9)	(66.0)
Shares issued on exercise of employee share options		1.1	-	-
Purchase of own shares by employee trust		(16.7)	-	(0.1)
Cash received from settlement of derivatives		-	-	56.5
Net cash used in financing activities		**(506.7)**	**(462.5)**	**(643.8)**
Net cash outflow from activities		**(238.6)**	**(430.2)**	**(130.5)**
Effects of exchange rate changes		(0.6)	5.0	0.5
Opening net cash		1,067.9	1,197.9	1,197.9
Closing net cash		**828.7**	**772.7**	**1,067.9**

[1]Last half year includes £95.4m (last full year: £102.8m) relating to the purchase of Gist Limited, being consideration of £163.2m (last full year: £170.6m) net of cash acquired of £67.8m (last full year: £67.8m).

[2]Includes interest paid on the partnership liability to the Marks & Spencer UK Pension Scheme of £nil (last half year: £5.9m; last full year: £5.9m) and interest paid on lease liabilities of £49.1m (last half year: £64.1m; last full year: £121.9m).

Notes to the financial statements (Unaudited)

1 General information and basis of preparation

General information

This condensed consolidated interim information for the period does not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The summary of results for the year ended 1 April 2023 is an extract from the published Annual Report and Financial Statements which were approved by the Board of Directors on 23 May 2023, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report on the Annual Report and Financial Statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s498 (2) or (3) of the Companies Act 2006.

Basis of preparation

The financial information has been prepared in accordance with the UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Going concern basis

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the directors have considered the business activities as set out on pages 1 to 6 and the principal risks and uncertainties as set out on page 23.

At 30 September 2023, the Group's access to liquidity remained strong at over £1.7bn, comprising cash and cash equivalents of £828.7m, an undrawn committed syndicated bank revolving credit facility of £850.0m (set to mature in June 2026), and undrawn uncommitted facilities amounting to £25.0m.

The forecast cashflows for the 12-month period to November 2024, used to support the assessment of going concern, incorporate a latest estimate of the ongoing impact of current market conditions on the Group and include a number of assumptions, including sales growth and customer behaviour. In forming their outlook on the future financial performance, the directors considered a variety of downsides that the Group might experience, such as cost pressures, including inflationary headwinds, and any potential impact of a recession. The downside scenario also assumed that a delay in transformation benefits resulted in a decline in the incremental sales expected from these activities.

Based on the forecast cashflows, throughout the next 12-month period to November 2024, the Group does not anticipate needing to draw on its available facilities and has adequate headroom to meet the covenant requirements.

As a result, the directors believe that the Group is well placed to manage its financing and other principal risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. For this reason, the directors consider it appropriate for the Group to adopt the going concern basis in preparing its interim financial statements.

Accounting policies

The results for the first half of the financial year have been reviewed, not audited and are prepared on the basis of the accounting policies set out in the Group's 2023 Annual Report and Financial Statements.

Several amendments apply for the first time during the period but have not led to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: sales; like-for-like sales growth; adjusted operating profit; adjusted operating margin; profit before tax and adjusting items; adjusted basic earnings per share; net debt; net debt excluding lease liabilities; free cash flow; free cash flow from operations; and capital expenditure. Each of these APMs, and others used by the Group, are set out in the Glossary, including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group reports some financial measures, primarily International sales, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered significant in nature and/or quantum over the total expected life of the programme or are consistent with items that were treated as adjusting in prior periods. The Group's definition of adjusting items is consistent with prior periods. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. On this basis, the following items were included within adjusting items for the 26-week period ended 30 September 2023:

- Net charges associated with the strategic programme in relation to the review of the UK store estate.
- Significant restructuring costs and other associated costs arising from strategy or operational changes that are not considered by the Group to be part of the normal operating costs of the business.
- Impairment charges and provisions that are significant in nature and/or value to the trading performance of the business.
- Charges and reversals of previous impairments arising from the write-off of assets and other property charges that are significant in nature and/or value. Impairment charges are recognised in adjusted operating profit where they relate to stores not previously impaired or do not otherwise meet the Group's adjusting items policy.
- Adjustments to income from M&S Bank due to a provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products.
- Amortisation of the identified intangible assets arising as part of the investment in Ocado Retail Limited.
- Remeasurement of Ocado Retail Limited contingent consideration.
- Significant costs relating to the acquisition of Gist Limited.
- Net finance costs incurred in relation to Gist Limited deferred and contingent consideration.
- (New) Share of net charges associated with Ocado Retail Limited's UK network capacity review.

Refer to note 3 for a summary of the adjusting items.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts. The critical accounting judgements and key sources of estimation uncertainty remain consistent with those presented in note 1 of the Group's 2023 Annual Report and Financial Statements.

2 Segmental Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting on components of the Group that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker has been identified as the Executive Committee. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources across each operating segment.

The Group's reportable operating segments have therefore been identified as follows:

- UK Clothing & Home – comprises the retailing of womenswear, menswear, lingerie, kidswear and home products through UK retail stores and online.
- UK Food – includes the results of the UK retail food business, UK Food franchise operations and UK supply chain services, with the following five main categories: protein, deli and dairy; produce; ambient and in-store bakery; meals, dessert and frozen; and hospitality and 'Food on the Move'; and direct sales to Ocado Retail Limited.
- International – consists of Marks and Spencer owned businesses in Europe and Asia and the international franchise operations.
- Ocado – includes the Group's share of profits or losses from the investment in Ocado Retail Limited.

Other business activities and operating segments, including M&S Bank and M&S Energy, are combined and presented in "All other segments". Finance income and costs are not allocated to segments as each is managed on a centralised basis.

The Executive Committee assesses the performance of the operating segments based on a measure of operating profit before adjusting items. This measurement basis excludes the effects of adjusting items from the operating segments.

The following is an analysis of the Group's revenue and results by reportable segment:

	26 weeks ended 30 September 2023 (Unaudited)					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m
Sales[1]	1,849.5	3,803.6	511.3	-	-	6,164.4
Revenue	1,819.1	3,803.6	511.3	-	-	6,134.0
Operating profit/(loss) before adjusting items[2]	223.4	164.9	43.4	(23.4)	2.1	410.4
Finance income before adjusting items						37.6
Finance costs before adjusting items						(87.8)
Profit/(loss) before tax and adjusting items	223.4	164.9	43.4	(23.4)	2.1	360.2
Adjusting items						(34.6)
Profit/(loss) before tax	223.4	164.9	43.4	(23.4)	2.1	325.6

	26 weeks ended 1 October 2022 (Unaudited)					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m
Sales[1]	1,749.7	3,317.5	496.4	-	-	5,563.6
Revenue	1,724.3	3,317.5	496.4	-	-	5,538.2
Operating profit/(loss) before adjusting items[2]	171.4	71.8	39.0	(0.7)	(0.8)	280.7
Finance income before adjusting items						25.5
Finance costs before adjusting items						(100.7)
Profit/(loss) before tax and adjusting items	171.4	71.8	39.0	(0.7)	(0.8)	205.5
Adjusting items						3.0
Profit/(loss) before tax	171.4	71.8	39.0	(0.7)	(0.8)	208.5

	52 weeks ended 1 April 2023 (Audited)					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m
Sales[1]	**3,715.0**	**7,218.0**	**1,055.0**	**-**	**-**	**11,988.0**
Revenue	**3,658.3**	**7,218.0**	**1,055.0**	**-**	**-**	**11,931.3**
Operating profit/(loss) before adjusting items[2]	**323.8**	**248.0**	**84.8**	**(29.5)**	**(0.5)**	**626.6**
Finance income before adjusting items						58.1
Finance costs before adjusting items						(202.7)
Profit/(loss) before tax and adjusting items	**323.8**	**248.0**	**84.8**	**(29.5)**	**(0.5)**	**482.0**
Adjusting items						(6.3)
Profit/(loss) before tax	**323.8**	**248.0**	**84.8**	**(29.5)**	**(0.5)**	**475.7**

[1]Sales is revenue stated prior to adjustments for UK Clothing & Home brand consignment sales of £30.4m (last half year: £25.4m; last full year £56.7m).

[2]Operating profit/(loss) before adjusting items is stated as gross profit less operating costs prior to adjusting items. At reportable segment level costs are allocated where directly attributable or based on an appropriate cost driver for the cost.

Segment assets and liabilities, including investments in associates and joint ventures, are not disclosed because they are not reported to or reviewed by the Executive Committee.

Other disclosures

	26 weeks ended 30 September 2023 (Unaudited)	26 weeks ended 1 October 2022 (Unaudited)	52 weeks ended 1 April 2023 (Audited)
	£m	£m	£m
Write-down of inventories to net realisable value	134.7	117.6	266.0

3 Adjusting items

The total adjusting items reported for the 26-week period ended 30 September 2023 is a net charge of £34.6m. The adjustments made to reported profit before tax to arrive at adjusted profit are:

	26 weeks ended		52 weeks ended
	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 Apr 2023 (Audited) £m
Included in share of result of associate – Ocado Retail Limited			
Ocado Retail Limited – UK network capacity review	(16.9)	-	-
	(16.9)	-	-
Included in operating profit			
Strategic programmes - UK store estate	(67.1)	(26.3)	(51.3)
Strategic programmes - Organisation	(3.5)	(14.6)	(10.7)
Strategic programmes - Structural simplification	-	-	(16.4)
Strategic programmes - UK logistics	-	-	(10.5)
Store impairments, impairment reversals and other property charges	-	(36.3)	15.1
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	(6.5)	(7.0)	(14.0)
M&S Bank charges incurred in relation to the insurance mis-selling provisions	(1.0)	(1.0)	(2.0)
Acquisition of Gist Limited	(0.4)	(24.4)	(22.1)
Franchise restructure	-	0.4	0.4
	(78.5)	**(109.2)**	**(111.5)**
Included in net finance income/(costs)			
Remeasurement of Ocado Retail Limited contingent consideration	64.7	112.2	108.0
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration	(3.9)	-	(2.8)
	60.8	**112.2**	**105.2**
Adjustment to profit before tax	**(34.6)**	**3.0**	**(6.3)**

Ocado Retail Limited – UK network capacity review (£16.9m)

On 25 April 2023, Ocado Retail Limited announced the plan to cease operations at its Customer Fulfilment Centre ("CFC") in Hatfield as part of a wider review of UK network capacity.

As a result, Ocado Retail Limited has recorded provisions for restructuring costs, onerous contracts, other related costs as well as impairment charges.

The Group's share of these costs, reported within the Group's "share of result of associate – Ocado Retail Limited", are considered to be adjusting items as they are one-off in nature and significant in value to the results of the Ocado segment and the Group. No future charges are expected in this programme.

Strategic programmes - UK store estate (£67.1m)

In November 2016, the Group announced a strategic programme to transform and rotate the UK store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group incurred charges of £870m up to April 2023 under this programme primarily relating to closure costs associated with stores identified as part of the strategic transformation plans.

The Group has recognised a charge of £67.1m in the period in relation to those stores identified as part of the rotation plans. The charge primarily reflects the latest view of store closure plans as disclosed in the 2022/23 financial statements and latest assumptions for estimated store closure costs, as well as charges relating to the impairment of buildings and fixtures and fittings, and depreciation as a result of shortening the useful economic life of stores based on the most recently approved exit routes.

Further charges relating to the closure and rotation of the UK store estate are anticipated over the next seven and a half years as the programme progresses, the quantum of which is subject to change throughout the programme period as we get greater certainty of circumstances that need to be in place to make closure financially viable. Future charges will not include Foodhall closures at lease event where there is opportunity for a better location, as this is not in the scope of the programme.

The cash flows used within the impairment models for the UK store estate programme are based on assumptions which are sources of estimation uncertainty, and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions across the UK store estate programme.

A delay of 12 months in the probable date of each store exit would result in a decrease in the impairment charge of £19.2m and would create an impairment reversal of £32.1m. A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge of £8.6m. Neither a 250 basis point increase in the discount rate, a 25 basis point reduction in management gross margin during the period of trading, nor a 2% increase in the costs associated with exiting a store would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

As at 30 September 2023, the total closure programme now consists of 208 stores, 115 of which have already closed. Further charges of c.£155m are estimated within the next seven and a half financial years, bringing anticipated total programme costs since 2016 to c.£1.1bn. In addition, where store exit routes in the next seven and a half years lead to the recognition of gains on exit, particularly those relating to asset management, these credits will also be recognised within adjusting items as part of the programme. The anticipated total programme costs to date does not include any costs that may arise in relation to a further c.30 stores currently under consideration for closure within the next seven and a half years. At this stage these c.30 stores remain commercially supportable and in the event of a decision to close the store the exit routes are not yet certain.

These costs are reported as adjusting items on the basis that they are significant in quantum, relate to a strategic initiative focused on reviewing our store estate and to aid comparability from one period to the next. The programme includes all stores within the programme to be closed by 2030/31.

Strategic programmes – Organisation (£3.5m)

During 2016/17, the Group announced a wide-ranging strategic review across a number of areas of the business which included UK organisation and the programme to centralise our London Head Office functions into one building. In the period, an impairment charge of £3.5m has been recognised (2022/23 £10.7m impairment). This relates to the updating of assumptions and market fluctuations over the life of the sub-let of previously closed offices. Total costs of centralising our London Head Office functions into one building incurred to date are c.£101m. Any future charges/reversals will relate to the updating of assumptions and market fluctuations over the life of the sub-let lease to September 2040.

These charges are reported as adjusting items on the basis that they are consistent with the disclosure of costs previously recognised.

Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited (£6.5m)

Intangible assets of £366.0m were acquired as part of the investment in Ocado Retail Limited in 2019/20 relating to the Ocado brand and acquired customer relationships. These intangibles are being amortised over their useful economic lives of 10 – 40 years with an amortisation charge of £8.6m recognised in the period and a related deferred tax credit of £2.1m.

The amortisation charge and changes in the related deferred tax liability are included within the Group's share result of associate and are considered to be adjusting items as they are based on judgements about their value and economic life and are not related to the Group's underlying trading performance. These charges are reported as adjusting items on the basis that they are significant in quantum and to aid comparability from one period to the next.

M&S Bank charges incurred in relation to insurance mis-selling provisions (£1.0m)

The Group has an economic interest in Marks and Spencer Financial Services plc (trading as M&S Bank), a wholly owned subsidiary of HSBC UK Bank plc, by way of a Relationship Agreement that entitles the Group to a 50% share of the profits of M&S Bank after appropriate deductions. The Group does not share in any losses of M&S Bank and is not obliged to refund any profit share received from HSBC, although future income may be impacted by significant one-off deductions.

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's profit share and fee income from M&S Bank has been reduced by the deduction of the estimated liability in both the current and prior years. In line with the accounting treatment under the Relationship Agreement, there is a cap on the amount of charges that can be offset against the profit share in any one year, whereby excess liabilities carried forward are deducted from the Group's future profit share from M&S Bank. The deduction in the period is £1.0m.

The treatment of this in adjusting items is in line with previous charges in relation to settlement of Payment Protection Insurance (PPI) claims and although it is recurring, it is significant in quantum in the context of the total charges recognised for PPI mis-selling to-date and is not considered representative of the normal operating performance of the Group. As previously noted, while the August 2019 deadline to raise potential mis-selling claims has now passed, costs relating to the estimated liability for redress are expected to continue. The total charges recognised in adjusting items since September 2012 for PPI is £324.7m which exceeds the total offset against profit share of £254.7m to date and this £70.0m deficit will be offset from the Group's share of future profits from M&S Bank.

Acquisition of Gist Limited (£0.4m)

On 30 September 2022 the Group completed the acquisition of Gist Limited from Storeshield Limited, a subsidiary of The BOC Group Limited, as part of M&S's multi-year programme to modernise its Food supply chain network to support growth. As part of the transaction the Group has incurred charges of £0.4m in the period relating to retention bonuses and has incurred £28.7m of one-off charges to date that are not considered to be day-to-day operational costs of our business. Transaction costs of £6.8m have been incurred and £3.7m of other costs, mainly retention bonuses, along with £18.2m of charges relating to the settlement of our pre-existing relationship with Gist Limited. This was offset by a £6.2m gain on bargain purchase.

These costs are adjusting items as they relate to a major transaction and, but for the transaction, the business would not have incurred these costs and as a result are not considered to be normal operating costs of the business. No future charges are expected in this programme.

Remeasurement of contingent consideration including discount unwind (£64.7m credit)

Contingent consideration, resulting from the investment in Ocado Retail Limited, is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. During 2021/22, £33.8m of contingent consideration was settled, following the achievement of the first and second performance targets. A credit of £64.7m has been recognised in the period, representing the revaluation of the contingent consideration payable. See note 11 for further details. The change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group.

Net finance costs incurred in relation to Gist Limited deferred and contingent consideration (£3.9m)

Deferred consideration, resulting from the acquisition of Gist Limited, is held at amortised cost, whilst the contingent consideration is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. A charge of £3.9m has been recognised in the period, representing the discount unwind of the deferred consideration and revaluation of the contingent consideration payable. The discount unwind and change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group. The discount unwind and remeasurement will be recognised in adjusting items until the final payments are made in 2025/26.

4 Finance income/(costs)

		26 weeks ended		52 weeks ended
	Notes	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 April 2023 (Audited) £m
Bank and other interest receivable		22.7	6.5	22.9
Pension net finance income	9	12.1	14.2	28.7
Other finance income		-	2.0	0.9
Interest income on subleases		2.8	2.8	5.6
Finance income before adjusting items		37.6	25.5	58.1
Finance income in adjusting items	3	64.7	112.2	108.0
Finance income		**102.3**	**137.7**	**166.1**
Other finance costs		(4.4)	(2.3)	(6.4)
Interest payable on syndicated bank facility		(2.4)	(2.2)	(4.5)
Interest payable on Medium Term Notes		(17.9)	(33.4)	(65.4)
Interest payable on lease liabilities		(57.5)	(58.5)	(116.7)
Unwinding of discount on partnership liability to the Marks and Spencer UK Pension Scheme	10	(2.3)	(2.4)	(4.3)
Unwind of discount on provisions		(3.3)	(1.9)	(5.4)
Finance costs before adjusting items		(87.8)	(100.7)	(202.7)
Finance costs in adjusting items	3	(3.9)	-	(2.8)
Finance costs		**(91.7)**	**(100.7)**	**(205.5)**
Net finance income/(costs)		**10.6**	**37.0**	**(39.4)**

5 Taxation

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings, adjusted for actual tax on adjusting items.

The taxation charge in the income statement for the half year is based on the forecast full year tax rate on profit before adjusting items of 31.2% (last half year 24.8%; last full year 25.9%). This is higher than the UK statutory rate primarily due to the impact of the recapture of tax relief on SLP distributions and non-taxable Ocado losses.

The effective tax rate on profit before taxation is 36.5% (last half year: 20.0%; last full year: 23.4%).

On 20 June 2023, the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework. The rules will apply to the Group's accounting period ending March 2025 onwards and are not expected to have a material impact on the Group's tax rate or tax payments. In May 2023, the International Accounting Standards Board issued amendments to IAS 12 Income Taxes which provide for a mandatory temporary exception to the normal requirement to account for deferred tax insofar as the tax concerned arises under the Pillar Two Rules. The Group has applied this exception in calculating its half year results.

6 Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period.

The adjusted earnings per share figures have also been calculated based on earnings before adjusting items that are significant in nature and/or quantum and are considered to be distortive (see note 3). These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has four types of dilutive potential ordinary shares being: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period; unvested shares granted under the Deferred Share Bonus Plan; unvested shares granted under the Restricted Share Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period.

Details of the adjusted earnings per share are set out below:

	26 weeks ended		52 weeks ended
	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 April 2023 (Audited) £m
Profit attributable to equity shareholders of the Company	**208.0**	**166.1**	**363.4**
Add/(less):			
Adjusting items (see note 3)	34.6	(3.0)	6.3
Tax on adjusting items	6.4	(9.1)	(13.7)
Profit before adjusting items attributable to equity shareholders of the Company	**249.0**	**154.0**	**356.0**
	Million	Million	Million
Weighted average number of ordinary shares in issue	1,967.0	1,962.4	1,963.5
Potentially dilutive share options under the Group's share option schemes	113.6	44.2	70.4
Weighted average number of diluted ordinary shares	**2,080.6**	**2,006.6**	**2,033.9**
	Pence	Pence	Pence
Basic earnings per share	10.6	8.5	18.5
Diluted earnings per share	10.0	8.3	17.9
Adjusted basic earnings per share	12.7	7.8	18.1
Adjusted diluted earnings per share	12.0	7.7	17.5

7 Dividends

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, the Board is restoring a dividend to shareholders, starting with an interim dividend of 1p per share. In line with the requirements of IAS 10 Events after the Reporting Period, this has not been recognised within these results. This interim dividend will be paid on 12 January 2024 to shareholders whose names are on the Register of Members at the close of business on 17 November 2023. The ordinary shares will be quoted ex dividend on 16 November 2023.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 19 December 2023.

8 Investments in Joint Ventures and Associates

The Group holds a 50% interest in Ocado Retail Limited, a company incorporated in the UK. The remaining 50% interest is held by Ocado Group Plc. Ocado Retail Limited is an online grocery retailer, operating through the ocado.com and ocadozoom.com websites.

Ocado Retail Limited is considered an associate of the Group as certain rights are conferred on Ocado Group Plc for an initial period of at least five years from acquisition in August 2019, giving Ocado Group Plc control of the company. Following this initial period, a reassessment of control will be required as the Group will have an option to obtain more power over Ocado Retail Limited if certain conditions are met. If the Group is deemed to have obtained control, Ocado Retail Limited will then be consolidated as a subsidiary of the Group. Through Board representation and shareholder voting rights, the Group is currently considered to have significant influence, therefore the investment in Ocado Retail Limited is treated as an associate and applies the equity method of accounting.

Ocado Retail Limited has a financial year end date of 3 December 2023, aligning with its parent company, Ocado Group Plc. For the Group's purpose of applying the equity method of accounting, Ocado Retail Limited has prepared financial information to the nearest quarter-end date of its financial year end, as to do otherwise would be impracticable. The results of Ocado Retail Limited are incorporated in these financial statements from 27 February 2023 to 27 August 2023. There were no significant events or transactions in the period from 28 August 2023 to 30 September 2023.

The carrying amount of the Group's interest in Ocado Retail Limited is £710.1m (last half year: £792.7m; last full year: £756.9m). The Group's share of Ocado Retail Limited losses of £46.8m (last half year: loss of £7.7m; last full year: loss of £43.5m) includes the Group's share of underlying losses of £23.4m (last half year: loss of £0.7m; last full year: loss of £29.5m), the Group's share of exceptional items of £16.9m (last half year: £nil; last full year: £nil) and adjusting item charges of £6.5m (last half year: £7.0m; last full year: £14.0m) (see note 3).

Summarised financial information in respect of Ocado Retail Limited (the Group's only material associate) is set out below and represents amounts in the Ocado Retail Limited financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

	As at 27 August 2023 (Unaudited) £m	As at 28 August 2022 (Unaudited) £m	As at 26 February 2023 (Audited) £m
Ocado Retail Limited			
Current assets	266.7	213.4	220.0
Non-current assets	565.8	582.5	618.7
Current liabilities	(287.1)	(227.7)	(267.7)
Non-current liabilities	(476.7)	(361.1)	(421.7)
Net assets	**68.7**	**207.1**	**149.3**

	27 Feb 2023 to 27 Aug 2023 (Unaudited) £m	28 Feb 2022 to 28 Aug 2022 (Unaudited) £m	28 Feb 2022 to 26 Feb 2023 (Audited) £m
Revenue	1,164.4	1,089.0	2,222.0
Loss for the period	(80.6)	(1.3)	(59.0)
Other comprehensive income	-	-	-
Total comprehensive income	**(80.6)**	**(1.3)**	**(59.0)**

In addition, the Group holds investments in joint ventures totalling £11.2m (last half year: £11.3m; last full year: £11.0m). The Group's share of profits totalled £0.2m (last half year: £0.8m; last full year: £0.5m).

9 Retirement benefits

	26 weeks ended 30 Sep 2023 (Unaudited) £m	26 weeks ended 1 Oct 2022 (Unaudited) £m	52 weeks ended 1 April 2023 (Audited) £m
Opening net retirement benefit surplus	**477.4**	**1,038.2**	**1,038.2**
Current service cost	(0.1)	(0.1)	(0.1)
Administration cost	(2.7)	(2.4)	(4.8)
Net interest income	12.1	14.2	28.7
Employer contributions	0.5	38.2	38.1
Remeasurements	(307.5)	(247.7)	(622.8)
Exchange movement	-	(0.4)	0.1
Closing net retirement benefit surplus	**179.7**	**840.0**	**477.4**

	30 Sep 2023 £m	1 Oct 2022 £m	1 April 2023 £m
Total market value of assets	5,861.5	7,137.1	6,781.9
Present value of scheme liabilities	(5,677.3)	(6,292.1)	(6,299.9)
Net funded pension plan asset	184.2	845.0	482.0
Unfunded retirement benefits	(2.2)	(2.7)	(2.2)
Post-retirement healthcare	(2.3)	(2.3)	(2.4)
Net retirement benefit surplus	**179.7**	**840.0**	**477.4**
Analysed in the Statement of Financial Position as:			
Retirement benefit asset	184.2	845.0	482.0
Retirement benefit deficit	(4.5)	(5.0)	(4.6)
Net retirement benefit surplus	**179.7**	**840.0**	**477.4**

The main financial assumptions for the UK scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 Employee Benefits in order to assess the liabilities of the schemes.

The most significant of these are the discount rate and the inflation rate which are 5.50% (last half year: 5.15%; last full year: 4.75%) and 3.25% (last half year: 3.60%; last full year: 3.25%) respectively. The inflation rate of 3.25% reflects the Retail Price Index (RPI) rate. Certain benefits have been calculated with reference to the Consumer Price Index (CPI) as the inflationary measure and in these instances a rate of 2.60% (last half year: 2.95%; last full year: 2.60%) has been used.

The amount of the surplus varies if the main financial assumptions change. If the discount rate decreased by 0.50%, the surplus would decrease by £50m (last half year: increase by £10m; last full year: decrease by £45m). If the discount rate decreased by 2.50%, the surplus would decrease by £240m (last half year: increase by £30m; last full year: decrease by £235m). If the discount rate increased by 2.50%, the surplus would increase by £205m (last half year: decrease by £40m; last full year: increase by £200m). The pension scheme is hedged against movements in gilt yields.

If the inflation rate decreased by 0.25%, the surplus would decrease by £20m (last half year: decrease by £50m; last full year: decrease by £30m). If the inflation rate decreased by 0.50%, the surplus would decrease by £40m (last half year: decrease by £90m; last full year: decrease by £60m). A one year decrease in life expectancy would increase the scheme's surplus by £120m (last half year: increase by £120m; last full year: increase by £130m).

The sensitivity analysis above is based on a change in one assumption while holding all others constant. Therefore interdependencies between the assumptions have not been taken into account within the analysis.

The most recent actuarial valuation of the Marks & Spencer UK Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (funding surplus of £652m), primarily due to lower assumed life expectancy. The Company and Trustees have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements – see note 10).

With the pensioner buy-in policies purchased in September 2020, April 2019 and March 2018, the Scheme has now, in total, insured around 73% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

Recent increases in long-term interest rates, market inflation assumptions and the discount rate have resulted in a significant reduction in the value of both the UK Defined Benefit pension scheme's assets and liabilities. However, there has been no material worsening of the scheme's overall funding position.

The scheme has maintained its longstanding policy of substantially hedging its exposure to inflation and interest rate movements including through the use of derivatives. This is colloquially known as an LDI strategy. The scheme continues to manage its liquidity and collateral to meet its obligations as they fall due and was able to meet all its cash needs from its own resources.

10 Marks and Spencer Scottish Limited Partnership

Marks and Spencer plc is a general partner and the Marks & Spencer UK Pension Scheme is a limited partner of the Marks and Spencer Scottish Limited Partnership (the "Partnership"). Under the Partnership agreement, the limited partners have no involvement in the management of the business and shall not take any part in the control of the Partnership. The general partner is responsible for the management and control of the Partnership and as such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.3bn (last half year: £1.3bn and last full year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited Partnership interest (held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive £73.0m in 2023 and £54.4m in 2024. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme is entitled to receive £40.0m in October 2023, £34.9m in March 2024 and £54.4m in June 2024.

The second Partnership interest (also held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive a further annual distribution of £36.4m from June 2017 until June 2031. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme is entitled to £37.8m in March 2024 and then an annual distribution of £36.4m from June 2024 to June 2031. All profits generated by the Partnership in excess of these amounts are distributable to Marks and Spencer plc.

The Partnership liability in relation to the first interest of £127.1m (last half year: £122.9m and last full year: £124.8m) is included as a financial liability in the Group's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the period to 30 September 2023 an interest charge of £2.3m (last half year: £2.4m and last full year: £4.3m) was recognised in the income statement representing the unwinding of the discount included in this obligation. The first limited Partnership interest of the Pension Scheme is included within the UK DB Pension Scheme assets, valued at £125.9m (last half year: £119.5m and last full year: £122.8m).

The second Partnership interest is not a transferable financial instrument as the Scheme Trustee does not have the right to transfer it to any party other than a successor Trustee. It is therefore not included as a plan asset within the UK DB pension scheme surplus reported in accordance with IAS 19. Similarly, the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

11 Financial Instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities. The Group had no level 1 investments or financial instruments.
- Level 2: not traded in an active market, but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency. The Group's level 2 financial instruments include interest rate and foreign exchange derivatives. Fair value is calculated using discounted cash flow methodology, future cash flows are estimated based on forward exchange rates and interest rates (from observable market curves) and contract rates, discounted at a rate that reflects the credit risk of the various counterparties for those with a long maturity.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the end of the reporting period, the Group held the following financial instruments at fair value:

				(Unaudited) As at 30 Sep 2023				(Audited) As at 1 April 2023
	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Assets measured at fair value								
Financial assets at fair value through profit or loss ("FVTPL")								
- derivatives held at FVTPL	-	1.5	-	**1.5**	-	-	-	**-**
- other investments[1]	-	9.0	12.5	**21.5**	-	12.3	8.6	**20.9**
Derivatives used for hedging	-	29.9	-	**29.9**	-	22.7	-	**22.7**
Liabilities measured at fair value								
Financial liabilities at fair value through profit and loss ("FVTPL")								
- derivatives held at FVTPL	-	-	-	**-**	-	(2.1)	-	**(2.1)**
- Ocado contingent consideration[2]	-	-	-	**-**	-	-	(64.7)	**(64.7)**
- Gist contingent consideration[3]	-	-	(24.5)	**(24.5)**	-	-	(25.0)	**(25.0)**
Derivatives used for hedging	-	(26.4)	-	**(26.4)**	-	(63.1)	-	**(63.1)**

There were no transfers between the levels of the fair value hierarchy during the period. There were also no changes made to any of the valuation techniques during the period.

[1] Within Level 3 other investments, the Group holds £9.3m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last half year: £6.5m; last full year: £7.3m) which are Level 3 instruments. The fair value of these investments has been determined in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. Where investments are either recently acquired or there have been recent funding rounds with third parties, the primary input when determining the valuation is the latest transaction price.

[2] As part of the investment in Ocado Retail Limited, a contingent consideration arrangement was agreed. The arrangement comprises three separate elements which only become payable on the achievement of three separate financial and operational performance targets. In 2021/22, £33.8m was settled, relating to the first two targets. The final target relates to Ocado Retail Limited achieving a specified target level of earnings in the financial year ending November 2023, with any resulting payment due in 2024 following completion of the Ocado Retail Limited audited FY23 statutory accounts. The performance target is binary, meaning that a payment of £156.3m plus interest will be made if the performance target is met. Should the target not be met, no consideration would be payable.

A range of scenarios have been considered in determining the fair value of the contingent consideration at H1 2023/24. Taking into account Ocado Retail Limited's current and forecast trading performance and the fact that less than two months of the relevant target year remain, it is not expected that Ocado Retail Limited will achieve target performance as there is a material gap between the performance target and current expected outturn. However, there is a mechanism for reasonable adjustments to be made to the performance target by either shareholder to reflect certain events, if applicable. No adjustments have been made at this point in time.

In these circumstances, the fair value of the liability has been determined to be nil.

[3] As part of the investment in Gist Limited, the Group has agreed to pay the former owners of Gist Limited additional consideration of up to £25.0m plus interest when freehold properties are disposed of under certain conditions. There is no minimum amount payable. The Group has the ability to retain the properties should it wish to do so, in which case the full amount of £25.0m plus interest will be payable on the third anniversary of completion.

The fair value of the contingent consideration arrangement of £24.5m was estimated by calculating the present value of the future expected cashflows. The estimates are based on a discount rate of 6.1%. A 2.5% change in the discount rate would result in a change in fair value of £1.1m.

Fair value of financial instruments

With the exception of the Group's fixed rate bond debt and the Partnership liability to the Marks & Spencer UK Pension Scheme, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Group's fixed rate bond debt (Level 1 equivalent) was £1,047.9m (last half year: £1,399.8m; last full year: £1,346.4m); the fair value of this debt was £1,001.5m (last half year: £1,217.8m; last full year: £1,264.3m) which has been calculated using quoted market prices and includes accrued interest.

The carrying value of the Partnership liability to the Marks & Spencer UK Pension Scheme (Level 2 equivalent) is £127.1m (last half year: £122.9m; last full year: £124.8m) and the fair value of this liability is £121.9m (last half year: £116.0m; last full year: £121.9m).

Lease liabilities

Future cash outflows related to the post break clause period included in the lease liability

The Group holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Group has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the UK store estate programme) within the total £2,244.1m of lease liabilities held on the balance sheet.

Total undiscounted lease payments of £720.8m (last half year: £773.3m; last year end: £750.6m) relating to the period post break clause, and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Group's contractual indebtedness under these leases, where there is a contractual right to break.

Cash flow hedge accounting

The Group hedges its exposure to foreign currency risk using forward foreign exchange contracts and hedge accounting is applied when the requirements of IFRS 9 are met, including that forecast transactions are "highly probable". The Group has continued to apply judgment in assessing whether forecast purchases remain "highly probable". In making this assessment, the Group has considered the most recent budgets and plans. As a result of the Group's "layered" hedging strategy, a reduction in the supply pipeline of inventory does not immediately lead to over-hedging and the disqualification of "highly probable". If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would be immediately reclassified to profit or loss.

Movements in derivatives since last half year reflect the significant volatility seen in foreign exchange rates seen over the last 24 months.

Trade receivables

Included within trade and other receivables is £7.2m (last half year: £3.5m; last year end: £0.4m) which, due to non-recourse factoring arrangements in place, are held within a 'hold to collect and sell' business model and are measured at fair value through other comprehensive income ("FVOCI").

12 Contingencies and commitments

Capital expenditure

Additions to the cost of property, plant and equipment and intangible assets (excluding goodwill and right of use assets) are £180.6m (last half year: £155.5m) and for the year ended 1 April 2023 were £421.4m. Disposals in net book value of property, plant and equipment, investment property and intangible assets, excluding right of use assets are £nil (last half year: £nil) and for the year ended 1 April 2023 were £4.4m.

Capital commitments	As at 30 Sep 2023 (Unaudited) £m	As at 1 Oct 2022 (Unaudited) £m	As at 1 Apr 2023 (Audited) £m
Commitments in respect of properties in the course of construction	81.1	86.5	100.8
IT capital commitments	9.0	14.4	6.1
	90.1	**100.9**	**106.9**

During 2021/22, the Group committed to invest up to £25.0m, over a three-year period to 2024/25, in an innovation and consumer growth fund managed by True Capital Limited. The fund can drawdown amounts at any time over the three-year period to make specific investments. As at 30 September 2023, the Group had invested £9.6m (last half year: £6.8m; last full year: £7.5m) of this commitment, which is held as an non-current other investment and measured at fair value through profit or loss (see note 11).

13 Analysis of cash flows given in the statement of cash flows

	26 weeks ended		52 weeks ended
	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 April 2023 (Audited) £m
Profit on ordinary activities after taxation	**206.9**	**166.7**	**364.5**
Income tax expense	118.7	41.8	111.2
Finance costs	91.7	100.7	205.5
Finance income	(102.3)	(137.7)	(166.1)
Operating profit	**315.0**	**171.5**	**515.1**
Share of results of Ocado Retail Limited	23.4	0.7	29.5
Share of results in other joint ventures	(0.2)	-	-
Increase in inventories	(249.2)	(373.7)	(58.5)
Increase in receivables	(25.1)	(36.3)	(33.7)
Increase in payables	139.1	261.2	82.1
Depreciation, amortisation and write-offs	258.5	250.6	523.2
Non-cash share-based payment expense	25.1	15.0	38.0
Non-cash pension expense	2.6	-	-
Defined benefit pension funding	(0.5)	(36.9)	(36.8)
Adjusting items net cash outflows[1,2]	(27.1)	(34.1)	(67.9)
Adjusting items M&S Bank[3]	(1.0)	(1.0)	(2.0)
Adjusting operating profit items	95.4	109.2	111.5
Cash generated from operations	**556.0**	**326.2**	**1,100.5**

[1]Excludes £8.9m (last half year: £2.2m; last year end: £11.5m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cashflows relating to leases within the UK store estate programme.

[2]Adjusting items net cash outflows relate to strategic programme costs associated with the UK store estate, UK logistics, UK structural simplification programme and interest payments relating to the deferred and contingent consideration for the acquisition of Gist Limited.

[3]Adjusting items M&S Bank relates to M&S Bank income recognised in operating profit offset by charges incurred in relation to the insurance mis-selling provision, which is a non-cash item.

14 Analysis of net debt

Reconciliation of net cash flow to movement in net debt

	26 weeks ended		52 weeks ended
	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 April 2023 (Audited) £m
Opening net debt	**(2,637.2)**	**(2,698.8)**	**(2,698.8)**
Net cash outflow from activities	(238.6)	(430.2)	(130.5)
Decrease in current financial assets	(3.2)	(7.8)	(5.3)
Decrease in debt financing	382.8	332.4	487.7
New lease commitments	(67.3)	(141.6)	(270.7)
Exchange and other non-cash movements	(0.5)	17.3	(19.6)
Movement in net debt	**73.2**	**(229.9)**	**61.6**
Closing net debt	**(2,564.0)**	**(2,928.7)**	**(2,637.2)**

Reconciliation of net debt to statement of financial position

	As at 30 Sep 2023 (Unaudited) £m	As at 1 Oct 2022 (Unaudited) £m	As at 1 April 2023 (Audited) £m
Statement of financial position and related notes			
Cash and cash equivalents	828.7	772.7	1,067.9
Current other financial assets	9.0	10.5	13.0
Medium Term Notes - net of foreign exchange revaluation	(1,055.0)	(1,318.4)	(1,356.6)
Lease liabilities	(2,244.1)	(2,300.3)	(2,281.6)
Partnership liability to the Marks & Spencer UK Pension Scheme (note 10)	(127.1)	(122.9)	(124.8)
	(2,588.5)	**(2,958.4)**	**(2,682.1)**
Interest payable included within related borrowing and the partnership liability to the Marks & Spencer UK Pension Scheme	24.5	29.7	44.9
Total net debt	**(2,564.0)**	**(2,928.7)**	**(2,637.2)**

15 Business combination

On 30 September 2022, the Group acquired 100% of the issued share capital of Gist Limited. Details of this business combination were disclosed in note 31 of the Group's 2023 Annual Report and Financial Statements.

16 Related party transactions

The Group's related party transactions are disclosed in the Group's 2023 Annual Report. There have been no material changes in the related party transactions described in the last annual report.

Joint Ventures and Associates

Ocado Retail Limited

The following transactions were carried out with Ocado Retail Limited, an associate of the Group:

Loan to Ocado Retail Limited

	26 weeks ended		52 weeks ended
	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 April 2023 (Audited) £m
Opening balance	**30.9**	**-**	**-**
Loans advanced	45.0	-	30.0
Interest charged	2.0	-	0.9
Interest repaid	(1.2)	-	-
Closing balance	**76.7**	**-**	**30.9**

The loan matures during 2039/40 and accrues interest at Sterling Overnight Index Average ("SONIA") plus an applicable margin.

Sales and purchases of goods and services:

	26 weeks ended		52 weeks ended
	30 Sep 2023 (Unaudited) £m	1 Oct 2022 (Unaudited) £m	1 April 2023 (Audited) £m
Sales of goods and services	17.8	17.0	35.7
Purchases of goods and services	0.1	0.1	0.1

Included within trade and other receivables is a balance of £3.3m (last half year: £3.2m; last full year: £2.9m) owed by Ocado Retail Limited.

Nobody's Child Limited

Nobody's Child Limited became an associate of the Group in November 2021.

In the half year ended 30 September 2023, the Group made purchases of goods amounting to £3.5m (last half year: £3.9m; last full year: £6.3m).

At 30 September 2023, included within trade and other payables is a balance of £0.2m owed to Nobody's Child Limited (last half year: £nil; last full year: £nil) and included within other financial assets is a balance of £2.7m owed from Nobody's Child Limited (last half year: £0.7m; last full year: £0.7m).

Key management compensation

Transactions between the Group and key management personnel in the period relate only to remuneration consistent with the policy set out in the Directors' Remuneration Report within the Group's 2023 Annual Report.

There have been no other material changes to the arrangements between the Group and key management personnel in the period.

17 Contingent assets

The Group is currently seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Group. The Group expects to receive an amount from the claim (either in settlement or from the legal proceedings), a position reinforced by recent court judgments in similar claims. The value of the claim is confidential and is therefore not disclosed.

18 Subsequent events

Subsequent to the balance sheet date, the Group has monitored trade performance, internal actions, as well as other relevant external factors. No material changes in key estimates and judgements have been identified as adjusting post balance sheet events. There have been no material non-adjusting events since 30 September 2023.

Glossary

<table>
<tr><th>Alternative performance measure</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Income Statement Measures</td></tr>
<tr><td>Sales</td><td>Revenue</td><td>Consignment sales</td><td>Sales includes the gross value of consignment sales (excluding VAT). Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue. This measure has been introduced given the Group’s focus on launching and growing third-party brands and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.</td></tr>
<tr><td>Clothing & Home store / Clothing & Home online sales</td><td>None</td><td>Not applicable</td><td>The growth in sales on a year-on-year basis is a good indicator of the performance of the stores and online channels.
<table>
<tr><th></th><th>HY 23/24
£m</th><th>HY 22/23
£m</th><th>%</th></tr>
<tr><td>UK Clothing & Home</td><td></td><td></td><td></td></tr>
<tr><td>Store sales[1]</td><td>1,270.1</td><td>1,195.6</td><td>6.2</td></tr>
<tr><td>Consignment sales</td><td>(9.1)</td><td>(9.7)</td><td></td></tr>
<tr><td>Store revenue</td><td>1,261.0</td><td>1,185.9</td><td>6.3</td></tr>
<tr><td>Online sales[1]</td><td>579.4</td><td>554.1</td><td>4.6</td></tr>
<tr><td>Consignment sales</td><td>(21.3)</td><td>(15.7)</td><td></td></tr>
<tr><td>Online revenue</td><td>558.1</td><td>538.4</td><td>3.7</td></tr>
<tr><td>UK Clothing & Home sales[1]</td><td>1,849.5</td><td>1,749.7</td><td>5.7</td></tr>
<tr><td>Consignment sales</td><td>(30.4)</td><td>(25.4)</td><td></td></tr>
<tr><td>Total UK Clothing & Home revenue</td><td>1,819.1</td><td>1,724.3</td><td>5.5</td></tr>
</table>
[1] UK Clothing & Home store sales excludes revenue from ‘shop your way’ and Click & Collect, which are included in UK Clothing & Home online sales.

There is no material difference between sales and revenue for UK Food and International.</td></tr>
<tr><td>Like-for-like sales growth</td><td>Movement in revenue per the income statement</td><td>Revenue from non like-for-like stores

Consignment sales</td><td>The period-on-period change in sales (excluding VAT) from stores which have been trading and where there has been no significant change (greater than 10%) in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.
<table>
<tr><th></th><th>HY 23/24
£m</th><th>HY 22/23
£m</th><th>%</th></tr>
<tr><td>UK Food</td><td></td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>3,640.2</td><td>3,258.1</td><td>11.7</td></tr>
<tr><td>Net new space[1]</td><td>163.4</td><td>59.4</td><td></td></tr>
<tr><td>Total UK Food revenue</td><td>3,803.6</td><td>3,317.5</td><td>14.7</td></tr>
<tr><td>UK Clothing & Home</td><td></td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>1,814.4</td><td>1,720.0</td><td>5.5</td></tr>
<tr><td>Net new space</td><td>35.1</td><td>29.7</td><td></td></tr>
<tr><td>Total UK Clothing & Home sales</td><td>1,849.5</td><td>1,749.7</td><td>5.7</td></tr>
</table>
[1] UK Food net new space includes Gist third party revenue.</td></tr>
</table>

<table>
<tr><th>Alternative performance measure</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>M&S.com sales / Online sales</td><td>None</td><td>Not applicable</td><td>Total sales through the Group’s online platforms. These sales are reported within the relevant UK Clothing & Home, UK Food and International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group’s incentive plans. Refer to the Remuneration Report in the FY22/23 annual report for explanation of why this measure is used within incentive plans.</td></tr>
<tr><td>International online</td><td>None</td><td>Not applicable</td><td>International sales through International online platforms. These sales are reported within the International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel. This measure has been introduced given the Group’s focus on online sales.
<table>
<tr><th></th><th>HY 23/24
£m</th><th>HY 22/23
£m</th><th>%</th></tr>
<tr><td>International Sales</td><td></td><td></td><td></td></tr>
<tr><td>Stores</td><td>427.7</td><td>413.4</td><td>3.5</td></tr>
<tr><td>Online</td><td>83.6</td><td>83.0</td><td>0.7</td></tr>
<tr><td>At reported currency</td><td>511.3</td><td>496.4</td><td>3.0</td></tr>
</table></td></tr>
<tr><td>Sales growth at constant currency</td><td>None</td><td>Not applicable</td><td>The period-on-period change in sales retranslating the previous year sales at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
<table>
<tr><th></th><th>HY 23/24
£m</th><th>HY 22/23
£m</th><th>%</th></tr>
<tr><td>International Sales</td><td></td><td></td><td></td></tr>
<tr><td>At constant currency</td><td>511.3</td><td>492.3</td><td>3.9</td></tr>
<tr><td>Impact of FX retranslation</td><td>-</td><td>4.1</td><td></td></tr>
<tr><td>At reported currency</td><td>511.3</td><td>496.4</td><td>3.0</td></tr>
</table></td></tr>
<tr><td>Adjusting items</td><td>None</td><td>Not applicable</td><td>Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group’s performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Committee.</td></tr>
<tr><td>Adjusted operating profit

Operating profit before adjusting items</td><td>Operating profit</td><td>Adjusting items

(See note 3)</td><td>Operating profit before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.</td></tr>
<tr><td>Adjusted operating margin

Operating margin before adjusting items</td><td>None</td><td>Not applicable</td><td>Adjusted operating profit as a percentage of sales.</td></tr>
</table>

Alternative performance measure	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Finance income before adjusting items	Finance income	Adjusting items (See note 3)	Finance income before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Finance costs before adjusting items	Finance costs	Adjusting items (See note 3)	Finance costs before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Net interest payable on leases	Finance income/costs	Finance income/ costs (See note 4)	The net of interest income on subleases and interest payable on lease liabilities. The measure allows the Board and Executive Committee to assess the impact of IFRS 16 Leases.
Net financial interest	Finance income/costs	Finance income/ costs (See note 4)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
EBIT before adjusting items	EBIT[1]	Adjusting items (See note 3)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Ocado Retail Limited EBITDA	EBIT[1]	Not applicable	Calculated as Ocado Retail Limited earnings before interest, tax, depreciation, amortisation, impairment and exceptional items.
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 3)	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the FY22/23 annual report for explanation of why this measure is used within incentive plans.
Adjusted basic earnings per share	Earnings per share	Adjusting items (See note 3)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the FY22/23 annual report for explanation of why this measure is used.
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (See note 3)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.

Alternative performance measure	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Effective tax rate before adjusting items	Effective tax rate	Adjusting items and their tax impact (See note 3)	Total income tax charge for the Group excluding the tax impact of adjusting items divided by the profit before tax and adjusting items. This measure is an indicator of the ongoing tax rate for the Group.
Bought-in margin	None	Not applicable	Difference between landed cost of stock and selling value, expressed as a percentage of total exc VAT sales.
Balance Sheet Measures			
Net debt	None	Reconciliation of net debt (see note 14)	Net debt comprises total borrowings (bank and bonds net of accrued interest and lease liabilities), net derivative financial instruments that hedge the debt and the Scottish Limited Partnership liability to the Marks and Spencer UK Pension Scheme less cash, cash equivalents and unlisted and short-term investments. Net debt does not include contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Net debt excluding lease liabilities	None	Reconciliation of net debt (see note 14)	Calculated as net debt less lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Cash Flow Measures			
Free cash flow from operations	Operating profit	See Financial Review	Calculated as operating profit less adjusting items within operating profit, depreciation and amortisation before adjusting items, cash lease payments, working capital, defined benefit scheme pension funding, capex and disposals, financial interest, taxation, employee-related share transactions, share of (profit)/loss from associate, adjusting items in cashflow and loans to associates.
Free cash flow	Net cash inflow from operating activities	See Financial Review	Calculated as free cash flow from operations less acquisitions, investments and divestments. This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Free cash flow after shareholder returns	Net cash inflow from operating activities	See Financial Review	Calculated as free cash flow less dividends paid. This measure shows the cash retained by the Group in the year.
Other Measures			
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year less proceeds of asset disposals excluding any assets acquired as part of a business combination or through an investment in an associate.
Active customer	None	Not applicable	A customer who has shopped at Ocado.com within the previous 12 weeks.

[1] EBIT is not defined within IFRS but is a widely accepted profit measure being earnings before interest and tax.

INDEPENDENT REVIEW REPORT TO MARKS AND SPENCER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26-week period ended 30 September 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26-week period ended 30 September 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
7 November 2023